

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0959S.01I  
Bill No.: SB 147  
Subject: Taxation and Revenue - General; Tax Incentives; Political Subdivisions  
Type: Original  
Date: March 30, 2021

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

**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>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<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>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

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

\*Fiscal impact to local political subdivisions will net zero (\$0)

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Section 99.805 – Real Property Tax Increment Allocation Redevelopment - Definitions**

**Oversight** notes this section modifies the definition of “Blighted Area”.

**Oversight** notes the current definition of “Blighted Area” is, “an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use”.

**Oversight** notes this section modifies the definition of “Blighted Area” so that the definition of “Blighted Area” becomes, “an area in which: (a) the buildings in the area are insanitary or unsafe for living or working or are substantially vacant, provided that the area qualifies as a distressed community under Section 135.530; (b) the level of unemployment is one and one-half times greater than the average rate of unemployment for the state, as averaged over the preceding twelve months; or (c) the median household income is less than fifty percent of the median household income of the metropolitan statistical area in which the area is located, if any”.

**Oversight** notes this section creates and adds the definition of “High Unemployment”. The definition of “High Unemployment” shall be, “as averaged over the preceding twelve months, if in a metropolitan statistical area, an unemployment rate at least one and one-half times that of such metropolitan area or, if not in a metropolitan statistical area, an unemployment rate at least one and one-half times the unemployment rate of nonmetropolitan counties”.

**Oversight** notes this section creates and adds the definition of “Low Fiscal Capacity”. The definition of “Low Fiscal Capacity” shall be, “a per capita assessed valuation of property in a municipality of less than sixty percent of the entire county in which it is located or, if an unincorporated area, a per capita assessed valuation of property in the school district of less than sixty percent of the entire county in which it is located”.

**Oversight** notes this section creates and adds the definition of “Moderate Income”. The definition of “Moderate Income” shall be, “according to the last decennial census: (a) if in a municipality in a metropolitan statistical area with a population of at least one thousand five hundred inhabitants, a median household income of under fifty percent of the median household income for the metropolitan statistical area, (b) if in a census block group or a contiguous group of block groups within a metropolitan statistical area with a population of at least one thousand five hundred inhabitants, a median household income of under fifty percent of the median household income for the metropolitan statistical area, (c) if in a municipality not within a metropolitan statistical area, a median household income of under sixty percent of the median household income for the nonmetropolitan areas of this state; or, (d) if in a census block group or a contiguous group of block groups with a population of at least one thousand five hundred inhabitants, a median household income of under sixty percent of the median household income for the nonmetropolitan areas of this state”.

**Oversight** notes this section creates and adds the definition of “New Job”. The definition of “New Job” shall be, “a job in a new or expanding redevelopment project that is not a job of a recalled worker, a replacement job, or a job that existed in the same industry in the area”.

Officials from the **City of Springfield (Springfield)** state this section significantly amends the definition of blight for tax increment financing. Springfield is unable to determine the fiscal impact this will cause on Springfield.

**Oversight** will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

#### **Section 99.810 – Real Property Tax Increment Allocation Redevelopment – Redevelopment Plan**

**Oversight** notes, currently, each redevelopment plan set forth shall include, in addition to other criteria, the anticipated sources of funds to pay the costs of the redevelopment project costs.

**Oversight** notes this section specifies that “sources of funds” shall include, but not be limited to, any federal, state, county, or municipal tax credits; any reduced tax rates; and any other calculable compensation, including discounts or donations on the purchase of land.

**Oversight** notes, currently, no redevelopment plan shall be adopted without findings that the redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing.

Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment area or project and an affidavit, signed by the developer or developers and submitted with the redevelopment plan, attesting that the provision of qualification are met.

**Oversight** notes this section further states that such findings shall also include a study stating that records were reviewed, inspections were made, comparisons were made, and tasks were undertaken that demonstrate the property was not developed through private enterprise over time. Such a study shall be signed by a party that assumes responsibility for the study's representations. The study shall be of sufficient specificity to allow representatives of the tax increment financing commission and municipality to confirm its findings.

**Oversight** notes this section further states that no redevelopment plan shall be adopted without findings that an economic feasibility analysis that includes a financial statement indicating whether a return on investment is expected without public assistance. The financial statement shall include any assumptions made and a statement analysis estimating the amount of assistance needed to make the return on investment attractive to private investors.

**Oversight** will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

**Section 99.811 – Exemption of Redevelopment Plans from Funding Limits for Tax Increment Financing Associated with a Geospatial Intelligence Federal Employer in St. Louis**

**Oversight** notes this section states that any redevelopment project consisting solely of public infrastructure improvements on public land that require no more than two million dollars (\$2,000,000) in tax increment financing and that will pay off its bonds within seven (7) years or less shall be exempt from the funding limits imposed under Section 99.866. Oversight notes this section prohibits the stringing of projects from being allowed to be exempt. Furthermore, this section states that no exempt project shall combine with another exempt project for a period of five (5) years.

**Oversight** notes this section states any redevelopment project for which eligible project redevelopment costs are to be paid with only revenue from the portion of total economic activity taxes and payments in lieu of taxes imposed by the municipality and not with real or potential revenues from other taxing jurisdictions shall be exempt from the funding limits imposed under Section 99.866.

**Oversight** will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

**Section 99.812 – Payment of Payments Received in Lieu Of Taxes Received for a Tax Increment Financing District Project**

**Oversight** notes this section would require, beginning the first fiscal year in which a municipality receives payments in lieu of taxes from a redevelopment project and ending the last fiscal year in which the municipality receives such payments, the municipality to pay an amount equal to twenty five percent (25%) of such payments in lieu of taxes received to all other taxing entities that are entitled to receive revenue from levies on real property in such municipality.

This section would require that the twenty five percent (25%) be distributed to entitled entities in proportion to the collections of revenue from real property in the development area to which each taxing district is entitled during the year.

For purposes of this fiscal note, **Oversight** will report a revenue reduction to Tax Increment Financing Districts (under local political subdivisions) equal to an unknown amount as a result of the payment equal to twenty five percent (25%) of the payments received as payments in lieu of taxes. Oversight will report a revenue gain (under local political subdivisions) equal to an unknown amount as a result of the payments received. Oversight assumes the (unknown) fiscal impact to local political subdivisions, as a result of this section, is anticipated to net zero (\$0).

**Oversight** assumes the provisions of this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight will report the aforementioned impact beginning in Fiscal Year 2022.

Officials from **Springfield** state this section imposes a mandatory pro-rata distribution of 25% of the payment in lieu of taxes to all tax jurisdictions other than Springfield. It also appears to require full distribution of payments in lieu of taxes, related to residential areas, to school districts, even those generated by the levy of other taxing jurisdictions, including Springfield. This would result in a direct negative fiscal impact on Springfield.

**Section 99.813 – Tax Increment Financing Project Reporting by Missouri Department of Economic Development**

**Oversight** notes this section requires a municipality or developer to submit information to the Missouri Department of Economic Development regarding the approved redevelopment/project plan.

This section further requires the Missouri Department of Economic Development to submit a report to the Governor and the General Assembly by April 30<sup>th</sup> of each year. The report shall: identifying the number and location of redevelopment areas, quantify public investment in each redevelopment area, assess the public benefit (as quantified by tax revenue and net new job creation, and state the economic impact of each redevelopment project on each taxing district at least partially within the boundaries of the redevelopment project's redevelopment area.

Officials from the **Missouri Department of Economic Development** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

**Oversight** will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

#### **Section 99.814 – Reimbursement from Tax Increment Financing Special Allocation Fund**

**Oversight** notes this section states that redevelopment districts providing emergency services shall be entitled to reimbursement from the Special Allocation Fund for direct costs. Such reimbursement shall not be less than twenty five percent (25%) or more than one hundred percent of the revenue received from the redevelopment district's tax increment financing.

**Oversight** notes this section would only apply to redevelopment districts located in certain areas.

**Oversight** notes Section 99.814 authorizes reimbursement from the Special Allocation Fund to emergency services districts and certain counties.

**Oversight** assumes this section is specific to redevelopment districts that provide emergency services whereas section 99.814 authorizes reimbursement to any district or county imposing a property tax for the purposes of providing emergency services.

Therefore, for purposes of this fiscal note, **Oversight** will report a revenue reduction to the Special Allocation Fund (under local political subdivisions) equal to an unknown amount as a result of the additional reimbursement measures put forth under this section. Oversight will report a revenue gain to redevelopment districts (under local political subdivisions) equal to an unknown amount as a result of the receipt of reimbursement from the Special Allocation Fund. Oversight assumes the (unknown) fiscal impact to local political subdivisions, as a result of this section, will net zero (\$0).

**Oversight** assumes the provisions of this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight will report the aforementioned impact beginning in Fiscal Year 2022.

#### **Section 99.845 – State Revenues for Tax Increment Financing Projects, School Districts**

**Oversight** notes this section adds "blighted areas in a distressed community" to the areas eligible to receive state revenues for a tax increment financing project.

**Oversight** notes this section states no redevelopment project shall occur in a redevelopment area unless: (1) all school districts in such redevelopment area have low fiscal capacity, (2) all census blocks or census block groups, as established in the most recent census, in such redevelopment area have high unemployment, or (3) all municipalities, census blocks, or census block groups, as established in the most recent census, in such redevelopment area are characterized by moderate income.

Officials from **Springfield** state this section adds requirements as to when redevelopment plans can occur. The potential fiscal impact on Springfield is unknown.

**Oversight** will not show a net fiscal impact as a result of the changes made to this section. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

### **Legislation as a Whole**

Officials from the **City of Kansas City (Kansas City)** state this proposed legislation is not likely to cause a direct fiscal impact on Kansas City. However, it would place new restrictions on tax increment financing developments. If less developers choose to bring developments to Kansas City as a result, Kansas City could see a decrease in revenue generated by such developments that it would have otherwise enjoyed.

Officials from the **City of Hale** anticipate this proposed legislation will result in a fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes 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 SOS can sustain with SOS's core budget. Therefore, SOS reserves 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.



**Oversight** assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Office of Administration – Budget & Planning Division**, the **Missouri Department of Economic Development**, the **Missouri Department of Revenue**, the **Missouri State Tax Commission**, the **City of Ballwin**, the **City of Claycomo**, the **City of Corder**, the **City of O’Fallon**, and the **High Point R-III School District** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction – Section 99.812 – TIF Redevelopment Projects - Payment of 25% Of Payments Received As Payments In Lieu Of Taxes To Entitled Entities</u>	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain – Section 99.812 – “Entitled Entities” – Receipt Of Payment From TIF Redevelopment Projects</u>	Unknown	Unknown	Unknown
<u>Revenue Reduction- Section 99.814 – Special Allocation Fund – Reimbursement To Redevelopment Districts</u>	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Gain – Section 99.814 – Redevelopment Districts Receipt Of Reimbursement From Special Allocation Fund</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</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

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## FISCAL DESCRIPTION

This act modifies the definition of "blighted area" for the purposes of tax increment financing (TIF). Such areas shall be in a distressed community and be insanitary or unsafe for living or working; shall have unemployment one and one-half times greater than the average for the state; or have a median household income of less than fifty percent of the median household income of the metropolitan statistical area in which the area is located. (Section 99.805)

A redevelopment plan shall include all federal, state, county, and municipal tax incentives received as sources of funds for the redevelopment plan. Such redevelopment plan shall also include a study stating that the project was not developed through private enterprise, and shall also include an economic feasibility analysis that indicates whether a return on investment is expected without public assistance. (Section 99.810)

This act exempts redevelopment projects from funding limits for TIF projects associated with a geospatial intelligence federal employer in St. Louis City if such projects consist solely of public infrastructure improvements on public land that requires less than \$2 million in TIF financing and will pay off its bonds in seven years or less. (Section 99.811)

This act requires a municipality to pay an amount equal to 25% of payments in lieu of taxes received for a TIF project to all other taxing entities in the municipality that are entitled to receive property tax revenue. Such amount shall be distributed pro rata to such entities. If a TIF project includes residential uses, real property tax levies attributable to the residential portion shall be distributed to the local school district or districts. (Section 99.812)

This act requires the Department of Economic Development to annually submit a report to the Governor and the General Assembly that provides certain information regarding TIF projects in the state, as described in the act. (Section 99.813)

Redevelopment districts providing emergency services in certain municipalities and counties, as described in the act, shall be entitled to reimbursement from a TIF special allocation fund in an amount between 25%-100% of such revenue. (Section 99.814)

This act adds blighted areas located in distressed communities to the areas eligible to receive state revenues for a TIF project. Additionally, this act prohibits redevelopment projects unless all school districts in the redevelopment area have low fiscal capacity, as defined in the act; all census blocks or groups have high unemployment, as defined in the act; or all municipalities or census blocks or groups are characterized by moderate income, as defined in the act. (Section 99.845)

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 & Planning Division

Missouri Department of Economic Development

Missouri Department of Revenue

Missouri State Tax Commission

Missouri Secretary of State's Office

Joint Committee on Administrative Rules

City of Ballwin

City of Claycomo

City of Corder

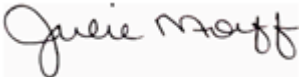
City of Hale

City of Kansas City

City of O'Fallon

City of Springfield

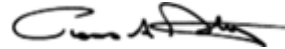
High Point R-III School District



Julie Morff

Director

March 30, 2021



Ross Strobe

Assistant Director

March 30, 2021