

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2759-03
BILL NO.: SB 1076
SUBJECT: Cities, Towns and Villages; Economic Development; Taxation and Revenue
TYPE: Original
DATE: March 10, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$4,635,867 to 4,700,000)	(\$4,441,931 to 4,700,000)	(\$4,440,382 to 4,700,000)
Highway	(\$5,914,516)	(\$6,926,894)	(\$7,120,078)
Parks Sales Tax	(\$2,583,333)	(\$3,193,000)	(\$3,288,790)
Total Estimated Net Effect on <u>All</u> State Funds	(\$13,133,716 to 13,197,849)	(\$14,561,825 to \$14,819,894)	(\$14,849,250 to \$15,108,868)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government*	\$1,018,489 to \$8,402,606	(\$28,174,429) to \$1,721,420	(\$60,175,228) to (\$29,908,736)

***Does not include income from tax on airport merchants or possible income from parking space tax.**

Numbers within parentheses: () indicate costs or losses
 This fiscal note contains 9 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTION 67.1015-Revitalization of the St. Louis City Act

SECTION 67.1017-Hotel Tax 3%

Officials of the **City of St. Louis** state this portion of the proposal is permissive. Voter approval is required before any tax can be imposed. If approved, this portion of the proposal would generate local revenue of approximately \$4,140,000 annually. St. Louis City officials assume if voters were to approve the hotel tax that the first collection period would be April of FY 2001. Officials estimate income, and assumes a 5% annual growth rate as follows. In FY 2001 - \$1,035,000; FY 2002, \$4,347,000; and \$4,564,350 in FY 2003.

Officials of the **Department of Revenue** stated that they do not collect any lodging taxes for cities, however, should the City of St. Louis and the DOR make an agreement for DOR to collect the hotel tax then officials assume there would be programming and testing costs of \$59,401.

Oversight for the purposes of this fiscal note will assume that the City of St. Louis will collect their own hotel tax. Oversight assumes that the City of St. Louis would have some administrative impact but that costs would be absorbed.

SECTION 92.045 Business - Airports

Officials of the **City of St. Louis** are not sure which taxes would be allowed to be levied against merchants located at Lambert Airport. Officials assume any revenues that would be generated would be insignificant. Officials assume the amount of revenue is unknown.

ASSUMPTION(continued)

SECTION 67.1022-Parking Space Tax

Officials of the **City of St. Louis** state this portion of the proposal is permissive. Voter approval is required before any tax can be imposed. If approved, this portion of the proposal would generate local revenue, however, officials stated this proposal does not specify whether \$1 per surface parking space and .50 per parking garage space is imposed daily or whether upon use, therefore, officials assume income to be unknown.

SECTION 92.120-Earnings and Business Net Profits tax phase out

Officials of the **City of St. Louis** state this portion of the proposal would phase out the 1% Earnings and Business net profit taxes. Officials make the following projections based on earnings tax growth at historical five-year compound annual growth rates (CAGR) of 2.4% annually. Reduced receipts anticipated to lag reduced rate by one calendar quarter. Officials estimate loss of revenue for 6 months of FY 2001 at \$7,479,360; for FY 2002 \$38,294,323; and \$70,584,096 in FY 2003.

SECTION 94.510-City Sales Tax Rate Increase from 1 3/8% up to 2 1/8%

Officials of the **City of St. Louis** state this portion of the proposal is permissive. Voter approval is required before any tax can be imposed. If approved, this portion of the proposal would generate local revenue of approximately \$25,653,000 annually less 1% collection fee if DOR collects this tax for the city. This estimate is based on current receipts and growth trends. Officials assume an annual growth rate at historical five-year CAGR of 0.6%, and assumes a start date of January 1, 2000 with full impact of increase lagged by one quarter. Officials estimate income from a voter approved sales tax increase of 0.75% at \$6,413,250 in FY 2001; \$25,806,918 in FY 2002 and \$25,961,760 in FY 2003, before a 1% collection fee would be deducted by the Department of Revenue.

SECTION 227.022-10% of City streets to be Maintained by DHT

Officials of the **Missouri Department of Transportation (DHT)** state this portion of the proposal designates 10% of the street mileage within any city not within a county to be considered part of the state highway system for maintenance and repair purposes only.

ASSUMPTION(continued)

The Highway and Transportation Commission shall designate the streets to be considered state highways. DHT contacted the St. Louis City Street Department to find out how many miles of streets the city has or how many lane miles the city has. Based on their response and the experience of the District 6 office, the City of St. Louis has around 600 lane miles of these streets. A consultant MoDOT has worked with previously, Roy Jorgensen Associates, estimates that it costs approximately \$5,000 per lane mile to perform routine maintenance on city roads. Routine maintenance includes snow plow and removal, guard rail installation, striping and other routine maintenance procedures. Based on this estimate, MoDOT assumes the cost for routine maintenance of these 600 lane miles would be approximately \$3 million per year (600 lane miles x \$5,000/lane mile).

Further, these roads will need to be resurfaced every 8 years. Resurfacing is a process where the first inch and a half of road surface is removed and a new inch and a half asphalt surface is laid over the underlying roadway. The cost for doing something like this is approximately \$25,800 per lane mile on an eight-year life cycle. MoDOT assumes the city streets would need this kind of resurfacing once every eight years. This would amount to approximately \$1.935 million per year in resurfacing costs (600 lane miles x \$25,800/lane mile / 8 years).

Finally, many of the St. Louis City street signals need to be refurbished. Refurbishing street signals includes changing outdated computer signals that operate the traffic light, changing the mast arms that support the lights, changing the signal displays and other costs. There are approximately 300 lights that require refurbishing in the City of St. Louis. Assuming MoDOT refurbishes 100 of them every year, this would amount to \$2.5 million every year for street signal refurbishing (100 street signals x \$25,000 per signal).

However, MoDOT currently performs limited maintenance for the City of St. Louis on an estimated 241 miles of roadway. The costs for these miles in FY99 was \$631,600. Therefore, we are reducing the impact from above by the current costs associated by this cost, adjusted by the 5% inflation per year (\$696,339 in FY01, \$731,156 in FY02, and \$767,714 in FY03).

The total estimated annual costs to the Missouri Department of Transportation for maintenance, resurfacing, and signals for 10 months of FY 2001 (\$5,914,516); for FY 2002 (\$6,926,894); and for FY 2003 (\$7,120,078).

ASSUMPTION(continued)

SECTION 253.135-DNR to maintain 2 parks in St. Louis City

Officials of the **Department of Natural Resources (DNR)** state this portion of the proposal designates two parks located in the City of St. Louis as state parks. DNR maintains 81 state parks and historic sites ranging from forests to prairies, caves to springs, creeks and rivers, gristmills to battlefields to birthplaces of the famous. The costs to maintain the state parks and historic sites maintained by the department cannot be compared to the costs to maintain a St. Louis City Park such as Forest Park primarily because of the difference in mission. Forest Park consists of approximately 1,300 acres and is one of the largest urban parks in the country. Forest Park provides urban recreational activities to more than 12 million visitors a year.

The proposed bill provides that the department of natural resources shall repair and maintain as state parks all lands donated by St. Louis City. Specifically, St. Louis City is to designate two parks within its boundaries as state parks. Maintenance is not defined in the bill. Maintenance could be interpreted to include only routine maintenance of the lands (grass cutting, trimming, hauling trash, etc) or maintenance could also include maintenance and repair of infrastructure (sewer lines, roads, buildings, etc) throughout the entire park.

The actual costs to maintain two city parks would vary dependant upon the resources and the infrastructure in the parks to be maintained and the scope of activities to be provided. For example, a recent newspaper article reported the City of St. Louis now spends about \$3 million a year **maintaining** its two largest parks, Forest and Tower Grove and information sources indicate Swope Park located in Kansas City has an operational budget of approximately \$12 million.

If the proposed bill required the department to develop and maintain the infrastructure at the two city parks, the costs would be significantly higher. According to the Forest Park Forever web site, the City of St. Louis adopted a Forest Park Master Plan in 1995. A recent news article and in the City of St. Louis' Supplement Financial Report (June 30, 1997) the estimate for the master plan was reported at \$86 million.

The department assumes the property transfer agreement would specify ownership of the lands, buildings and structures. Acquisition, development, maintenance and operation of state parks represent constitutional uses of park sales tax funds. Since the proposal provides that ownership of the lands rests with the department; the department assumes maintenance of the lands, would be a constitutional use of park sales tax funds. However, activities beyond the current state park conceptual plans for the existing state park system that impact long-term funding issues are a concern of the department and must be funded with General Revenue Funds. Accordingly, general revenue funds would be requested for the maintenance of these parks.

L.R. NO. 2759-03
BILL NO. SB 1076
PAGE 6 OF 9
March 10, 2000

ASSUMPTION(continued)

Without knowing what specific St. Louis City Parks and what respective facilities within the parks are proposed to be designated as state parks, the department can only generally estimate the costs to maintain and repair these facilities. Based on the information above, the costs could be significant. Additional costs for capital improvements are also unknown. Once the specific parks and facilities within the parks have been identified and the scope of activities defined, the department would be able to estimate the costs.

Officials of the **City of St. Louis** state this portion of the proposal would save the city approximately \$3,100,000 annually. A 3% inflation factor was used.

Oversight, for purposes of this fiscal note, has elected to reflect the revenue estimate done by the City of St. Louis, and the donation of Park lands to the state would be effective on September 1, 2000.

SECTION 253.550-Historic Tax Credit for City of St. Louis increased from 25% to 30%

Officials of the **Department of Economic Development (DED)** state this portion of the proposal would increase the Historic Preservation Tax Credit from 25% to 30% for the City of St. Louis.

Officials assume that no additional personnel, equipment, or expenses would be incurred by DED. Officials stated that the Historic Preservation Tax Credit would increase from \$20,400,000 to \$25,100,000 for an additional \$4,700,000 in tax credits.

SECTION 508.075-Circuit Courts

Officials of the **Office of State Courts Administrator (CTS), St. Louis County,** and **Department of Revenue (DOR)** assume this proposal would not fiscally impact their unit of government.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Income to DOR</u>			
1% Collection Fee-City Sales Tax rate	\$0 to \$64,133	\$0 to \$258,069	\$0 to \$259,618
<u>Loss to General Revenue Fund</u>			
Increase Historic Preservation Tax Credit from 25% to 30% for City of St. Louis	(\$4,700,000)	(\$4,700,000)	(\$4,700,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$4,635,867 to \$4,700,000)	(\$4,441,931 to \$4,700,000)	(\$4,440,382 to \$4,700,000)
HIGHWAY FUND			
<u>Cost to Highway Fund</u>			
<u>Missouri Department of Transportation</u> 10% of City streets maintained	(\$5,914,516)	(\$6,926,894)	(\$7,120,078)
PARKS SALES TAX FUND			
<u>Cost to Parks Sales Tax Fund</u>			
<u>Department of Natural Resources</u> Maintain 2 parks in St. Louis City (Based on 10 months of FY 2001)	(\$2,583,333)	(\$3,193,000)	(\$3,288,790)
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Income to Local Government</u>			
Increase in Hotel Tax(up to 3%)	\$0 to \$1,035,000	\$0 to \$4,347,000	\$0 to \$4,564,350

FISCAL IMPACT - Local Government

(continued)	FY 2001 (6 Mo.)	FY 2002	FY 2003
<u>Income to Local Government</u>			
from business tax on Airport Merchants	unknown	unknown	unknown
 <u>Income to Local Government</u>	 \$0	 \$0	 \$0
Parking Space Tax	to unknown	to unknown	to unknown
 <u>Income to Local Government</u>			
Increase in City Sales tax(up to 2 1/8%)	\$0 to \$6,349,117	\$0 to \$25,548,849	\$0 to \$25,702,142
 <u>Loss to Local Government</u>			
Phase out of Earnings Tax (One quarter lag)	(\$7,479,360)	(\$38,294,323)	(\$70,584,096)
 <u>Savings to Local Government</u>			
10% of City streets maintained by DHT	\$5,914,516	\$6,926,894	\$7,120,078
 Maintenance of 2 parks in St. Louis By the Department of Natural Resources	 \$2,583,333	 \$3,193,000	 \$3,288,790
 ESTIMATED NET EFFECT ON LOCAL GOVERNMENT*	 \$1,018,489	 (\$28,174,429)	 (\$60,175,228)
	to	to	to
	<u>\$8,402,606</u>	<u>\$1,721,420</u>	<u>(\$29,908,736)</u>

***Does not include income from tax on airport merchants or possible income from parking space tax.**

FISCAL IMPACT - Small Business

Small businesses could be affected by this proposal, to the extent that they would have costs of collection, and reporting of any new voter approved tax.

L.R. NO. 2759-03
BILL NO. SB 1076
PAGE 9 OF 9
March 10, 2000

DESCRIPTION

This act authorizes the City of St. Louis to: 1) increase its hotel tax by 3% over the 3.75% maximum; 2) impose a parking tax of up to \$1.00 in commercial lots and \$.50 in parking garages; 3) increase its general sales tax by 0.75%; 4) designate two parks as state parks for maintenance purposes; and 5) increase the historic tax credit to 30%.

This act also designates 10% of the street mileage within St. Louis to be state highways for maintenance purposes and eliminates St. Louis courts as the trial location when other courts in the state are more convenient. The act also phases out the 1% earnings tax, the business profit tax and the 0.5% payroll tax. This act also states that the City of St. Louis may tax businesses conducting activities within its airport.

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 St. Louis
Missouri Department of Transportation
Department of Natural Resources
Department of Economic Development
Office of State Courts Administrator
Department of Revenue
St. Louis County Director of Administration



Jeanne Jarrett, CPA
Director
March 10, 2000