

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2909-08
BILL NO.: Perfected SCS for SB 802
SUBJECT: Economic Development; Cities, Towns, and Villages; Counties; Taxation and Revenue - General; Taxation and Revenue - Property; Revenue Department.
TYPE: Original
DATE: March 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
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	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state this proposal revises criteria used to evaluate redevelopment projects funded by tax increment (TIF) financing. It also requires the DED to do a cost benefit analysis of the redevelopment plans submitted.

The DED assumes the need for one (1) Economic Development Program Administrator (\$54,840) to coordinate the work associated with the cost benefit analysis and one (1) Clerk Typist IV (\$25,440) to prepare documents and correspond with developers, host municipalities, and surrounding municipalities. The DED estimates there will be up to 30 local TIF projects in 120 local TIF districts each year. The DED assumes the services of an outside vendor will be utilized to conduct the cost benefit analysis work, under the guidance and coordination of the DED. The DED contacted the Midwest Research Institute in Kansas City, Missouri and they projected the charge to do the cost benefit analysis as roughly \$30,000 for each analysis. Since the number of cost benefit analyses to be conducted each year will vary, the DED would submit a budget request for an estimated appropriation amount to cover the varying costs of the cost benefit analysis.

The DED would have to charge the costs to the developer so there would be some collection efforts. The DED assumes they would need to spend \$15,000 for an upgrade of computer software to the REMI model to verify the cost benefit analysis work done by the vendor. The DED also assumes there would also be additional costs of \$10,000 per year for data maintenance, software upgrades, software training and equipment upgrades.

Officials from the **Department of Revenue (DOR)** state this proposal revises the criteria used to evaluate redevelopment projects funded by tax increment financing. If this revision causes major change in the DOR systems, certain system development costs could result. At present time, however, the DOR does not foresee major change and are projecting no administrative impact to their agency.

Officials from the **City of St. Louis, Jefferson County, Warren County, St. Charles County and Franklin County** did not respond to our requests for fiscal impact.

Officials from **St. Louis County** assume that they will not be fiscally impacted by this proposal.

The **Office of the State Courts Administrator** assumed this proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **Office of Secretary of State**

(SOS) assume there would be costs due to additional publishing duties related to the Department

ASSUMPTION (continued)

of Economic Development’s authority to promulgate rules, regulations, and forms. SOS estimates this could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of \$26.50 per page, and 18 new pages in the Missouri Register at a cost of \$22.50 per page. Costs due to this proposal are estimated to be \$723, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight also assumes the Department of Economic Development can collect the contract expense from the project developers for the cost benefit analysis in the same fiscal year that the expenditure occurs. Oversight also assumes the DED will not require the additional FTE nor the computer expenses since they are expecting to contract out the cost ratio analysis evaluations. Oversight also assumes the municipalities sponsoring the TIF areas could receive an unknown amount of reimbursement from their Special Allocation Funds to recoup direct costs for providing emergency services.

<u>FISCAL IMPACT - State Government</u>	FY 2001	FY 2002	FY 2003
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GENERAL REVENUE

<u>Costs - Department of Economic Development</u>			
Contract expense for cost benefit analysis	(\$900,000)	(\$927,000)	(\$954,810)
<u>Income - Recovery of contract expense for</u>			
analysis from the TIF developer	<u>\$900,000</u>	<u>\$927,000</u>	<u>\$954,810</u>

ESTIMATED NET EFFECT ON			
GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003

LOCAL POLITICAL SUBDIVISIONS

Revenue - Reimbursement from the Special
Allocation Fund for emergency services Unknown Unknown Unknown

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses if they are in a potential tax increment financing district.

DESCRIPTION

This act modifies requirements for redevelopment projects in St. Louis City, St. Louis County, St. Charles County, Jefferson County, Warren County and Franklin County funded through tax increment financing. Redevelopment projects must meet existing requirements and have low fiscal capacity, high unemployment, or be characterized by poverty and be located in an area where the overall assessed valuation has not increased in the last 6 years, and the area must have experienced out migration of businesses and residents.

No more than 50% of the costs of a project may be expended for retail development unless the area is a distressed community or a federal enterprise or empowerment zone, or at least 50% of the residents are living in poverty.

Developers must submit their plans to the government body and the Department of Economic Development. The Department will conduct a cost-benefit analysis based upon criteria set out in the act. The analysis must be complete in 90 days and the Department may charge a fee for conducting the analysis in an amount that does not exceed the cost.

No more than 30% of project costs may be derived from public funds but under the following circumstances 50% of the cost may be derived from public funds:

The area meets two of three criteria (low fiscal capacity, high unemployment or poverty); or

At least 20% of the cost is allocated to affordable housing.

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Developers and municipalities are required to report to Department of Economic Development each year and the Department will issue an annual report examining the impact of each project, using the criteria initially used to evaluate the project.

DESCRIPTION (continued)

If the majority of a redevelopment project area is located in an area meeting the requirements of low fiscal capacity, high unemployment and poverty, a contiguous area, which may be smaller than a census block tract with the same characteristics as the project area, shall be included in the project area.

Any affected person may file an action to challenge a decision relating to tax increment financing within 60 days of the decision.

Fire and Emergency services districts in St. Louis City, St. Louis County, Jefferson County, Warren County, St. Charles County and Franklin county are entitled to reimbursement for 25% to 100% of direct costs from the special allocation fund established to receive the payments in lieu of taxes.

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 Economic Development
Department of Revenue
Office of the State Courts Administrator
Office of the Secretary of State
St. Louis County

NOT RESPONDING: City of St. Louis
Franklin County
Jefferson County
Warren County
St. Charles County

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A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
March 31, 2000