

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2860-01
Bill No.: SB 772
Subject: Economic Development; Cities, Towns and Villages; Employees-Employers.
Type: Original
Date: January 10, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue *	(\$200,000)	(\$200,000)	(\$200,000)
Total Estimated Net Effect on <u>All</u> State Funds *	(\$200,000)	(\$200,000)	(\$200,000)

* Subject to Appropriation

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government*	(\$200,000) to (Unknown)	(\$200,000) to (Unknown)	(\$200,000) to (Unknown)

* Local Governments may implement the Live Near Your Work Program.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development (DED)** state their agency would be required to review applications to see if they have met all qualifications for the \$1,000 that is to be provided by DED from appropriated funds. Once a local jurisdiction identified a participating employer and a project in a qualified area, application can be made to DED for funds. DED anticipates it would take one person to review requests, track this, and issue funds.

DED assumes their portion of the program is dependent on appropriations being provided to the DED. The DED assumes minimum funding of \$200,000 will be appropriated to fund the DED portion of 200 grants. Based on this assumption, the DED assumes the need for an Economic Development Incentive Specialist II (at \$37,488 annually) to conduct activities required by the proposal. Activities include review of requests for funding and coordination with local jurisdictions. Personnel needs and costs could be higher if the popularity/participation in the program is more than projected or the amount of funds appropriated is greater than projected. DED assumes total costs, including fringe benefits as well as expense and equipment, for the additional FTE would be roughly \$80,000 per year.

Oversight assumes DED would not need the additional FTE to administer their part of the program. The local jurisdictions (or their agents) shall operate the program, including entering into agreements with participating employers, designate the area, as well as review applications to confirm the eligibility of the property, employer, employee, contribution of the applicant toward the purchase of the property, and that DED has sufficient appropriations to fund their portion. Oversight assumes DED could assume their responsibility of reviewing and issuing 200 (\$200,000 estimated appropriation / \$1,000 minimum per person) payments towards this program with existing resources.

Officials from the **City of Kansas City (CKC)** state the cost per participant would be a minimum of \$1,000, and if the participant would be employed with the City of Kansas City, the minimum per participant would be \$2,000. CKC states the number of participants would depend on;

1. The level of funding appropriated at the state level for the program;
2. The area determined to be eligible; and
3. Interest among eligible participants to move into the designated area.

CKC assumes that if a citizen living outside of Kansas City moves into the city limits, new tax revenue for the city would be generated. Based on a tax comparison study conducted in 2000 (using 1999 tax rates), CKC assumes the following new revenues per household with an income of \$50,000 (median income for a two-parent household with two children); Income tax of \$500,

Property tax of \$205, and Sales tax of \$240.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** state this proposal creates a grant program in the DED for employees who purchase homes in areas of economic decline near where they work. DOR states grant funding is normally exempt from taxation. Therefore, there is no administrative impact.

Officials from the **Department of Labor and Industrial Relations** assume this proposal will not fiscally impact their agency.

Officials from the **State Auditor's Office (SAU)** did not respond to our request for fiscal impact. However, in response to similar legislation from last year, the SAU stated section 620.1330 subjects the programs to audit by the State Auditor. SAU stated that if the audit was conducted in conjunction with an audit of the Department of Economic Development, little additional costs would be incurred. However, a separate audit of the programs could incur significant costs, depending on the number of programs in existence, the frequency of the audit, and the size of the local jurisdiction.

Oversight assumes the SAU would perform an audit of the Live Near Your Work Program in conjunction with an audit of DED, and therefore, would be able to absorb any additional costs related to this proposal with existing resources.

Oversight also assumes the estimate provided by DED of \$200,000 annual cost to the state in grants for this program is reasonable, and therefore, have reflected this cost to the state as well as the local governments, for their share of the \$3,000 per participant. Actual costs could vary considerably. Oversight did not adjust the local governments' portion to account for employees of the city governments that may participant in this program, and therefore be liable for both the participating local government portion as well as the participating employer's portions. Oversight has also reflected an unknown cost to local governments to administer the program.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Costs - Grants to LNYW candidates *</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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* **- SUBJECT TO APPROPRIATION**

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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LOCAL GOVERNMENTS

<u>Costs - Grants to LNYW candidates*</u>	(\$200,000)	(\$200,000)	(\$200,000)
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<u>Costs - to administer the LNYW Program</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to (Unknown)</u>
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ESTIMATED NET EFFECT TO LOCAL GOVERNMENTS *	<u>(\$200,000) to</u> <u>(Unknown)</u>	<u>(\$200,000) to</u> <u>(Unknown)</u>	<u>(\$200,000) to</u> <u>(Unknown)</u>
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* **Local governments may implement a Live Near Your Work Program at their discretion.**

FISCAL IMPACT - Small Business

This proposal would fiscally impact small business that chose to participate in the Live Near Your Work Program.

DESCRIPTION

This proposal establishes the "Live Near Your Work" (LNYW) program which is designed to encourage people to relocate their residence to areas of relative decline, so as to reverse poor economic trends in those areas. The program attempts to achieve this goal by providing economic assistance to people who purchase and reside in property located in economically declining areas which are close in proximity to their employment. The employer, the state, and the local government provide equal financial contributions to each participating employee.

A local government, such as a city or county, must initiate the program in their geographic area. The local government identifies neighborhoods or other areas of pervasive economic decline and recruits a local employer or employers to participate in the program.

Any eligible employee of a participating employer may apply for a grant pursuant to the LNYW program provisions. Eligible employees must purchase and reside in a property within the

designated area in order to receive the program grant. Other conditions may also apply to grant recipients, including maintaining residence in the property for at least one year. In the event applicable requirements are not met by the grant recipient, the grant moneys may have to be returned.

DESCRIPTION (continued)

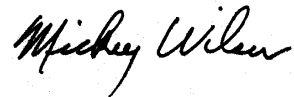
Each program grant awarded is in the total amount of at least \$3,000 which consists of \$1,000 each from the Department of Economic Development (DED), the local governmental unit operating the LNYW program, and the recipient's participating employer. The grant money is paid at the time the employee/home buyer closes on the purchase and the funds are directed specifically to defray closing and down payment costs of the home purchase. As the DED does not provide direct oversight over local LNYW programs, the State Auditor may audit any such program which receives a grant contribution from the DED.

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 Labor and Industrial Relations
Department of Revenue
State Auditor's Office
City of Kansas City

NOT RESPONDING: **City of St. Louis**



Mickey Wilson, CPA
Acting Director

January 10, 2002