

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3666-01
Bill No.: SB 1040
Subject: Economic Development; Bonds - General Obligations and Revenue; Property, Real and Personal.
Type: Original
Date: February 11, 2002

FISCAL SUMMARY

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

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	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** state this proposal requires municipalities to provide additional notice about industrial development projects, and should have no fiscal impact on their agency.

Officials from the **Office of Administration, Department of Revenue** and the **Office of the Secretary of State** each assume this proposal would not fiscally impact their respective agencies.

In response to similar legislation from this year, officials from the **City of Kansas City (CKC)** stated this bill requires no additional cost to the City unless they wish to authorize a project which would involve the issuance of revenue bonds or the conveyance of fee interest in property to the City. If the City wishes to authorize such a project, this bill would add the new and additional requirements that a specific plan be approved by the governing body, that the other taxing jurisdictions involved be formally notified in writing and given an opportunity to be heard at a public hearing (held after publication of notice), and that the impact of the project on real and personal property taxes be estimated.

CKC stated they currently prepare a plan for such projects. This bill requires that plan to be more specific and detailed, which would entail only a nominal increase in cost. The City currently holds public hearings before such projects. The only additional costs for those hearings attributable to this bill would be for the formal publication of public notice and the formal written notices (certified mail) to the other taxing jurisdictions that are not currently required, which would likely amount to approximately \$1,000 per project. The other additional costs that would be incurred by the City, if this bill is adopted and the City elects to authorize a project, would be estimating the impact of a project on tax revenue to all the taxing jurisdictions. If the project is a large one, that cost to the City could be substantial (\$10,000 or more). If it is a small, limited project, the City assumes the written estimate could be prepared for something less than \$10,000.

Officials from the **City of St. Louis, St. Louis County, Jackson County, City of Springfield** and the **City of Independence** did not respond to Oversight's request for fiscal impact.

Oversight assumes the proposal would result in additional costs to local governments that have industrial development projects, if those projects involve the issuance of revenue bonds or involves the conveyance of a fee interest in property. Oversight assumes this additional cost is unknown but minimal to each local government, but may not be minimal in the state-wide aggregate.

ASSUMPTION (continued)

Oversight also assumes the requirement that any lease, installment sale, or other such agreement, from a municipality to a development include a payment in lieu of taxes to be made to the municipality which is equal to the lost property tax revenue may result in an unknown amount of revenue for the municipality.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

COUNTIES, CITIES, TOWNS or VILLAGES

<u>Income</u> - Required payments in lieu of taxes agreements for industrial development projects	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
---	----------------	----------------	----------------

<u>Costs</u> - new requirements for industrial development projects	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT TO COUNTIES, CITIES, TOWNS OR VILLAGES	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
--	------------------------------------	------------------------------------	------------------------------------

FISCAL IMPACT - Small Business

Small businesses may be required to make payments in lieu of taxes under this proposal

DESCRIPTION

This proposal requires approval of a plan of development by majority vote of the governing body of a municipality when revenue bonds are to be issued for an industrial development project.

The governing body, in turn, must furnish each taxing district with an impact statement and an estimate of the equalized assessed valuation of the real and personal property to be included in the development.

The proposal requires a public hearing, with notice provisions, to hear and consider the proposed plans and any objections.

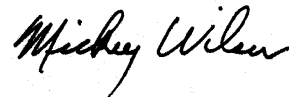
The proposal requires that any lease, installment sale, or other such agreement, from a municipality to a development include a payment in lieu of taxes to be made to the municipality which is equal to the lost property tax revenue.

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
Office of the Secretary of State
Office of Administration
Department of Revenue
City of Kansas City

NOT RESPONDING: **City of St. Louis, Jackson County, City of Springfield
City of Independence, St. Louis County**



Mickey Wilson, CPA
Acting Director
February 11, 2002