

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4657-17
Bill No.: Perfected SS #2 for SCS for SB 1279, 1162 & 1164
Subject: Cities, Towns and Villages; Economic Development; Urban Development;
 Revenue Department.
Type: Original
Date: May 3, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue*	(\$55,000) to (Unknown)	(Unknown)	(Unknown)
Various Other Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	(\$55,000) to (Unknown)	(Unknown)	(Unknown)

* Partially subject to appropriation. Unknown amounts could exceed \$100,000 for each fiscal year.

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	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

FISCAL ANALYSIS

ASSUMPTION

KANSAS AND MISSOURI METROPOLITAN CULTURAL DISTRICT; Section 67.642.

In response to a similar version of this proposal, officials from the **City of Kansas City (CKC)** stated the fiscal impact for this bill will begin in July 2005 (FY 2006), according to Section 67.642 of this bill. CKC assumed that state funding could be as much as \$9.8 million per year. In addition, increased economic activity at Arrowhead and Kauffman stadiums will generate revenue in the form of increased earnings taxes, utility taxes and sales taxes for the City and additional income and sales taxes for the state which can be used to leverage additional economic development in and around the Sports Center Redevelopment Area.

Jackson County Sports Complex Authority officials assume this proposal would have no fiscal impact unless the Bi-State Sales Tax is extended, the leases with the teams are extended or renegotiated, and if the Legislature would appropriate up to \$9,800,000 to the Kansas and Missouri Metropolitan Cultural District for the purpose of refurbishing the Stadiums under the Authority.

Officials from the **Office of Administration - Budget and Planning (BAP)** state that, with this section, up to \$9.8 million after FY 2006 for projects undertaken and partially funded from a retail sales tax approved pursuant to sections 70.500 to 70.510. This section provides funding for the Kansas and Missouri Metropolitan Cultural District. BAP assumes the impact would be \$0 to \$9.8 million out of the general revenue fund, annually. BAP states this legislation does not mandate any appropriation and does not allow any appropriation until fiscal year 2006. BAP states this proposal also requires \$100,000 donation by major league sports teams who sign leases in Jackson County to the African American Community Trust Fund.

Oversight assumes the fiscal impact of this part of this proposal is beyond the scope of this fiscal note, since the state is allowed to make annual appropriations to the Kansas and Missouri Metropolitan Cultural Districts of up to \$9.8 million starting in FY 2006. Therefore, for purposes of this fiscal note, Oversight assumes this part of the proposal would have no fiscal impact in fiscal years 2003, 2004 and 2005.

ASSUMPTION (continued)

SPORTS CENTER REDEVELOPMENT AUTHORITY ACT; Sections 67.2000 to 67.2060.

In response to similar legislation from this year, officials of the **Governor's Office** assumed no fiscal impact to their office.

In response to similar legislation from this year, officials of the **Department of Elementary and Secondary Education** assumed no fiscal impact to their department.

In response to similar legislation from this year, officials of the **Missouri Department of Transportation (DHT)** assumed this proposal could require DHT to incur the expense of providing modern interstate-style highways serving the new sports centers and the surrounding redevelopment areas. Officials assume this legislation would have a significant indirect, "voluntary" cost impact. If the new facilities are built away from the current St. Louis and Kansas City stadiums, then DHT may need to add highway entrance and exit ramps, additional highway bridges, etc., to serve the public stadiums. Officials assume no fiscal impact.

In response to a previous version of this proposal, officials of the **Department of Revenue** assumed that MITS would need to create a taxing district (shape file) enclosing the redevelopment areas in order to gather the sales revenues and /or sales taxes generated to be able to identify, report and track the "new state revenues". It is estimated the above program changes will require programming costs of roughly \$55,000 which include State Data Center costs.

Officials from the **Office of Administration-Division of Budget and Planning (BAP)** state this part of the proposal appears to permit a sports center redevelopment authority in St. Louis City and St. Louis County. Section 67.2033 allows the state to appropriate up to \$7 million per year, per project, beginning in Fiscal Year 2006, assuming the bill passes this session. There would be no cost to the state until FY 2006. Beginning in FY 2006, the state could incur a general revenue cost of up to \$7 million for debt service per year, per project, for 30 years. The bonds, over the 30 year period, are capped at \$100 million per project. BAP states that it appears two sports authorities could approve more than 1 project/plan, resulting in the construction or renovation or renovation of multiple sports facilities. Section 67.2033(14) adds a new definition of "major league" to include major league baseball, football, basketball, and hockey. It is unknown how many sports facilities would be approved under this section. Each one could cost up to \$7 million for debt service per year.

BAP states that there is a provision that mandates that the stadium authority receives all the income derived from the sale of the "naming rights" to the stadium. After 10 years some of this revenue could

ASSUMPTION (continued)

be used to reimburse the state if the “new state revenues” as defined in Section 67.2003 do not meet or exceed the amount of the State’s annual appropriation. As there is no empirical basis for estimating the value of the “naming rights”, no estimate of the impact of this provision can be made.

BAP states that section 67.2045 exempts authority from all state taxation, and BAP defers to the Department of Revenue for a response regarding this section. BAP also states that there is no loss to existing revenue streams for the additional exemption contained in Section 67.2051 because it is only applicable if a stadium is constructed.

In response to similar legislation from this year, officials of the **City of St. Louis- Division of Budget** assumed that the City would realize a positive fiscal impact, from local taxes during the construction of the \$326 million dollar stadium through 2005. Beginning in 2005, officials assume the City would be required to appropriate \$4.2 million dollars per year for 30 years through the year 2034. Officials assume these annual payments are to be offset by the incremental taxes generated by activities at the new ballpark. Based on St. Louis Cardinals projections of incremental taxes over current levels the net present value at 6% of the incremental taxes over the required appropriations through the agreement period is a positive \$26.2 million dollars.

Oversight assumes based on research conducted by the Office of Administration- Division of Budget and Planning, that the first year for state fiscal impact would be Fiscal Year 2006. Therefore, fiscal impact would be beyond the scope of this fiscal note.

Oversight assumes this proposal is enabling legislation and as written does not require any affected city or county to establish a Sports Center Redevelopment Authority.

Oversight assumes that if the affected cities would establish a Sports Center Redevelopment Authority and if the Missouri General Assembly were to elect to annually appropriate funds to provide debt service for the established sports authority, the annual costs to the State’s General Revenue Fund could be as much as \$7,000,000 for 30 years that would provide a net sum not to exceed \$100,000,000 in support of the sports authority plan.

The State would also realize income from it’s portion of revenues received from naming rights for the stadium. These funds would be deposited in the State’s Naming Rights Fund. This fund could be drawn upon by the state in the event new state revenue from the area would be less than the cumulative annual appropriation for the applicable period made by the state for the debt services on the financing.

ASSUMPTION (continued)

This proposal would allow St. Louis County to contribute tax revenues annually to the benefit of the Sports Center Redevelopment Authority. The proposal does not indicate what that amount would be.

In response to a previous version of this proposal, officials from **St. Louis County** stated this proposed bill has no direct fiscal impact on them because its language only permits, but does not require, participation by St. Louis County in funding a Sports Center Redevelopment Authority. However, if the negotiated Project Agreement pertaining to the State, St. Louis City, St. Louis County, and the St. Louis Cardinals is approved by the County Council, it calls for a series of payments starting at \$2 million dollars in 2003 and increasing by 3 percent compounded each year for a total of 30 years. Depending on interest rates, the present value of this stream is likely to be \$40 million to \$45 million dollars. The source of these funds is a local Hotel/Motel tax currently dedicated to convention and tourism purposes.

SAVVIS Center; Section 67.2076.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this part of the proposal allows appropriation for the first \$3 million of state sales tax collected from a multipurpose facility in St. Louis and transfers that money to the Specially Designated Multipurpose Facility Account to be used for maintenance and refurbishment of the facility. The transfer could begin in FY 2006 and continue indefinitely. Further, if a NBA franchise plays more than 20 games in the multipurpose facility before June 30, 2015, then one-half of sales taxes paid to the state from the multipurpose facility and the \$3 million will be placed in the Specially Designated Multipurpose Facility Account. Beginning in FY 2006, this legislation could have a \$3 million to Unknown cost to the state.

Oversight assumes the fiscal impact from this part of the proposal is beyond the scope of the fiscal note.

EXPOSITION CENTER IN SPRINGFIELD; Section 99.845.14.

Officials from the **City of Springfield** state that since this bill is voluntary, it will not fiscally impact their city.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this part of the proposal requires an annual appropriation starting in FY 2005 for the City of Springfield to

support an Exposition Center. BAP states the total project is not to exceed \$18 million (over 23 years). BAP

ASSUMPTION (continued)

states there does not appear to be an annual limit on the appropriation.

Oversight assumes the total appropriation for this project shall not exceed \$18,000,000 over 23 years, starting in FY 2005. Therefore, Oversight has reflected the cost of this part of the proposal as a range of \$0 (construction not completed on time) to \$800,000, which is the total \$18,000,000 divided by 23 years. Annual totals could vary substantially.

CONVENTION CENTER AND ARENA FACILITY IN BRANSON; Section 99.845.15.

Officials from the **City of Branson** assume the proposed Convention Center and Arena Facility will be constructed in 2003 and 2004 and will generate roughly \$4.1 million in additional tax revenue in 2005, \$7.7 million in 2006 and \$8.4 million in 2007. The sources of additional tax revenue is state sales tax, county and city sales taxes, property taxes and tourism taxes. The City estimates the amount of state sales tax collected that will be utilized for debt service during this period is \$525,750 in 2005, \$1.1 million in 2006 and \$1.2 million in 2007.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this part of the proposal requires an appropriation of up to \$1.4 million each year (over 23 years) starting in FY 2005 to the City of Branson, not to exceed a total state commitment of \$32 million.

Oversight assumes the annual appropriation for this project shall not exceed \$1,400,000 in any fiscal year, starting in FY 2005. Therefore, Oversight has reflected the cost of this part of the proposal as a range of \$0 (construction not completed on time) to the maximum of \$1,400,000.

ATHLETES AND ENTERTAINERS TAX; Senate Amendment 34.

Officials from the **Department of Revenue** stated this part of the proposal would not impact the amount of collections received from the non-resident athletes and entertainers. It may, however, impact the distribution of the collections.

Oversight assumes this proposal would decrease General Revenue for any individual income tax collected from nonresident members of professional athletic teams which are located in Missouri and increase the amount transferred to other various state funds. Oversight will show the

revenue impact as

ASSUMPTION (continued)

unknown, however, the net effect to total state revenues is zero.

JACKSON COUNTY RESEARCH PARK; Section 172.273.

In response to a previous version of this proposal, officials from the **University of Missouri** assumed this proposal would not fiscally impact them.

Officials from the **Office of Administration - Budget and Planning** state the fiscal impact from this part of the proposal is unknown - subject to appropriation.

Oversight assumes an unknown amount of appropriation from the General Revenue Fund would be needed to establish a research, development and office park in Jackson County to foster life sciences related to business development and provide business incubator facilities for new life sciences related companies. Funding would be needed for all three fiscal years in the scope of this fiscal note for continued funding of the facilities.

HISTORIC PRESERVATION TAX CREDIT; Section 253.559.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this part of the proposal places an annual cap on issuance of the Historic Preservation Tax Credit to \$60 million beginning in FY 2007. This allows those that qualify for the credit but can not receive the credit due to the cap to be eligible the next fiscal year. BAP assumes the impact to be Unknown.

Oversight assumes this part of the proposal would have a fiscal impact to total state revenues, but would be beyond the scope of the fiscal note.

Officials from the **State Auditor's Office** did not have time to respond to the various amendments. However, **Oversight** assumes Senate Amendment 13 requiring the State Auditor to audit participating cities and counties may have a fiscal impact of greater than \$100,000 cost.

ASSUMPTION (continued)

Oversight has reflected the fiscal impact to local governments as \$0, since all of these proposals are permissive and does not require municipalities or counties to participate in the economic stimulus projects. Oversight has also not reflected the potential positive economic impact that may occur from these projects.

This proposal could impact Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Cost to Department of Revenue for Programming costs (various)</u>	(\$55,000)	\$0	\$0
<u>Costs - State Auditor's Office for increased audits</u>	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<u>Loss - of sales tax revenue to the City of Springfield for their exposition center *</u>	\$0	\$0	\$0 to (\$800,000)
<u>Loss - of sales tax revenue to the City of Branson for their convention center *</u>	\$0	\$0	\$0 to (\$1,400,000)
<u>Loss - Income tax from nonresident members of MO professional teams</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs - University of Missouri research, development and office park in Jackson County *</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$55,000) to (UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>

Unknown amounts could exceed \$100,000 for each fiscal year.

*** Subject to Appropriation
 VARIOUS STATE FUNDS**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Income - Missouri Arts Council Trust Fund</u>			
60% of the income tax revenue from nonresident members of MO professional athletic teams	Unknown	Unknown	Unknown
<u>Income - Missouri Humanities Council Trust Fund</u>			
10% of the income tax revenue from nonresident members of MO professional athletic teams	Unknown	Unknown	Unknown
<u>Incomes- Missouri State Library Networking Fund</u>			
10% of the income tax revenue from nonresident members of MO professional athletic teams	Unknown	Unknown	Unknown
<u>Income - Missouri Public Television Broadcasting Corporation Special Fund</u>			
10% of the income tax revenue from nonresident members of MO professional athletic teams	Unknown	Unknown	Unknown
<u>Income - Missouri Historic Preservation Revolving Fund</u>			
10% of the income tax revenue from nonresident members of MO professional athletic teams	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO VARIOUS STATE FUND *	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

* Could exceed \$100,000 per year.

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

FISCAL IMPACT - Small Business

This proposal may impact small business in regards to the limiting of the Historic Preservation Tax Credit program as well as some of the other sections.

DESCRIPTION

This proposal creates several community development projects.

KANSAS AND MISSOURI METROPOLITAN CULTURAL DISTRICT - This proposal authorizes annual appropriations of up to \$9.8 million to fund projects undertaken and partially funded by a retail sales tax relating to the Kansas and Missouri Metropolitan Cultural District. Appropriated moneys shall only be used if the cumulative annual sales tax revenue generated exceeds the cumulative annual appropriation. No moneys shall be appropriated until the cultural district retail sales tax is renewed or extended.

ST. LOUIS CARDINALS BALLPARK AND BALLPARK VILLAGE - This proposal also creates the "The Sports Center Redevelopment Authority Act".

The maximum state appropriation for the ballpark shall not exceed \$7 million per year for a maximum of 30 years, for debt service financing that will provide a net sum not to exceed \$100 million.

SPRINGFIELD - Allows for the annual appropriation for funding of an exposition center in Springfield. Beginning in FY 2005, the state shall annually appropriate one half of the new state revenues from the redevelopment area. However, in no event shall the aggregate contribution of the state exceed \$18 million.

BRANSON - Allows for the annual appropriation for funding of a convention center and arena in Branson. Beginning in FY 2005, the state shall annually appropriate one half of the new state revenues from the redevelopment area. However, in no event shall the aggregate contribution of the state exceed \$32 million and shall not exceed a \$1.4 million appropriation over 23 years.

DESCRIPTION (continued)

ATHLETES AND ENTERTAINERS TAX - This act clarifies treatment of income to members of professional athletic teams that are employed by entities organized pursuant to the laws of Missouri or doing business in Missouri.

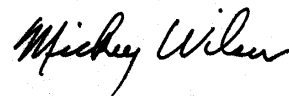
JACKSON COUNTY RESEARCH PARK - The Curators of the University of Missouri are authorized to establish a research, development and office park in Jackson County to foster life sciences related business development.

HISTORIC PRESERVATION TAX CREDIT - The proposal limits the amount of Historic Structure Preservation Tax Credits issued by the Department of Economic Development to \$60 million dollars annually beginning in FY 2007.

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 Secretary of State
Office of Administration - Budget and Planning
University of Missouri
City of Kansas City
City of St. Louis
City of Branson
City of Springfield
St. Louis County
Department of Elementary and Secondary Education
Department of Transportation



Mickey Wilson, CPA
Acting Director

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