

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1570-03
Bill No.: HCS for HB 908
Subject: Kansas City; Economic Development
Type: Original
Date: April 16, 2011

Bill Summary: This proposal requires Missouri counties of the Kansas City Metropolitan Area to expend \$1.50 for every expenditure of \$1.00 by Kansas counties in the Kansas City Metropolitan Area to promote economic development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of the bill (1570-02), officials from the **State Tax Commission** and the **Department of Revenue** assumed that there is no fiscal impact from this proposal.

In response to a previous version of the bill (1570-02), officials from the **County of Clay** assumed the State of Missouri will be picking up the tab; therefore, the County assumes there would be no fiscal impact from this proposal. If the proposal changes and requires the expenditure of county funds, then the County would be opposed.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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.

Officials from the **Department of Economic Development - Division of Business and Community Service (DED)** assume an unknown negative impact over \$100,000 as a result of this proposal, as it would be difficult for DED to determine the amount of funds being spent by the state of Kansas on promoting economic development in the Kansas City Metropolitan Area. The proposal requires the state of Missouri to expend \$1.50 to promote economic development in counties of the Kansas City Metropolitan Area for every \$1.00 spent to promote economic development by the state of Kansas in counties of the Kansas City Metropolitan Area. "Expenditure" is defined as "appropriation, grant, financial award, loan, debt authorization, tax authorization, or an reduction in revenue collected as a result of a tax deduction, tax exemption, tax credit, tax abatement, or other tax preference, in connection with any program administered by the department of economic development, or any other applicable program."

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. This proposal requires Missouri to enact a prohibition on awarding certain tax credits to companies relocating from Kansas.

If Kansas fails to adopt parallel legislation, this proposal requires Missouri to spend \$1.50 for each \$1 that Kansas spends on economic development promotion in the Kansas City Metropolitan Area. The bill includes spending by Kansas in the form of appropriation, grant, financial award, loan, debt authorization, tax authorization, or tax incentives.

BAP notes the following:

- Page 284 of the Governor's Budget for Kansas estimates FY 2012 expenditures from their economic development of just of \$29 M. BAP does not know how much of this figure may be spent in the Kansas City Metro Area.
- BAP has no estimate of the amount of off-budget tax incentives devoted by Kansas to the Kansas City Metro Area.
- BAP has no estimate of other tax reductions devoted by Kansas to the Kansas City Metro Area.

This proposal will have an unknown impact on tax credit issuances and general and total state revenues.

Oversight has, for fiscal note purposes, assumes General Revenue will be the funding source since no funding source is designated in this proposal.

Oversight assumes there will be some fiscal benefit resulting from this proposal; however, Oversight considers those benefits to be an indirect impact and have not reflected them in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Cost - Department of Economic Development (\$135.1600)</u> Promote economic development in counties of the Kansas City Metropolitan area	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This substitute prohibits the issuance of a tax credit under certain economic incentive programs for an otherwise qualifying job if the job relocates to the State of Missouri from the State of Kansas and from within 30 miles of the Missouri border if Kansas prohibits any tax credit for jobs or economic incentives for job creation or an incentive for any job that moves from Missouri to Kansas and the new location is within 30 miles of the Missouri border.

If, within two years of the substitute's effective date, Kansas has not enacted substantially similar legislation, for every \$1 spent by Kansas for promoting economic development in the Kansas counties that are part of the Kansas City metropolitan area, Missouri must spend \$1.50 for promoting economic development in the Missouri counties that are part of the Kansas City metropolitan area. "Kansas City metropolitan area" means the multi-county metropolitan area straddling the border between Missouri and Kansas consisting of the Missouri counties of Cass, Clay, Jackson, and Platte and the Kansas counties of Johnson, Leavenworth, and Wyandotte.

KG:LR:OD

FISCAL DESCRIPTION (continued)

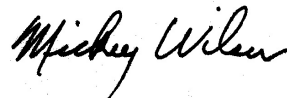
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Secretary of State
County of Clay
State Tax Commission
Department of Revenue
Department of Economic Development
-Division of Business and Community Services
Office of Administration
-Division of Budget and Planning

NOT RESPONDING

County of Cass
County of Platte
City of Kansas City



Mickey Wilson, CPA
Director
April 16, 2011