

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3497-05
Bill No.: Perfected SS for SCS for SB 570
Subject: Taxation and Revenue - General; Tax Incentives; Political Subdivisions
Type: Original
Date: January 29, 2020

Bill Summary: This proposal modifies provisions relating to Tax Increment Financing districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government*	\$0	\$0	\$0

*Direct impact to the City of St. Louis from §99.821 is assumed to net to zero

FISCAL ANALYSIS

ASSUMPTION

Section(s) 99.805, 99.810, 99.821, 99.843, 99.847 and 99.848 - Tax Increment Financing

Oversight notes, in response to the previous version of this proposed legislation, officials from the **Office of Administration - Division of Budget & Planning (B&P)** assumed this proposed legislation has no direct impact on B&P, has no direct impact on General Revenue and Total State Revenue, and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Missouri Department of Revenue** and the **Missouri State Tax Commission** each assume there is no fiscal impact from this proposed legislation.

Oversight notes, in response to the previous version of this proposed legislation, the **Missouri Department of Economic Development, Divisions of: Business and Community Solutions** and **Missouri Development Finance Board** and the **Missouri Department of Public Safety - State Emergency Management Agency** each stated they do not anticipate a fiscal impact from this proposed legislation.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

In response to the previous version of this proposed legislation, officials from the **City of Kansas City (Kansas City or City)** stated the proposed amendments to Sec. 99.805(1) narrow the definition of "blighted area". Kansas City does not have sufficient information to determine whether the change in the definition would actually decrease the expected number of future proposed Tax Increment Finance (TIF) projects. If there is a decrease in the number of such projects and this were determined to have a negative effect on economic development, then this proposed legislation would have a negative fiscal impact on Kansas City.

The proposed amendment to the definition of "conservation area" in Sec. 99.805, which requires that the "dilapidation standard" be met in all "conservation area" designations, is also designed to limit the availability of "conservation area" as a basis for a TIF project. Kansas City does not have sufficient information to determine whether this change would limit the number of future proposed "conservation area" TIF projects within Kansas City. If there is a decrease in the number of such projects and this were determined to have a negative effect on economic development, then such proposed amendment would have a negative fiscal impact on Kansas City.

ASSUMPTION (continued)

The proposed definitions for "retail area" or "retail infrastructure" found In Sec. 99.805 of this proposed legislation, in combination with the new Sec. 99.810.2 in this legislation, will have a positive fiscal impact on Kansas City. These added definitions will limit some developers from overstretching the boundaries for which TIF projects were intended; overstretching that would result in less City tax revenues being diverted into the TIF project.

Officials from the **City of Springfield** assume there is no direct fiscal impact to the Springfield. However, allowing a school district to opt out of Tax Increment Finance (TIF) revenue capture essentially removes TIF as a viable economic development tool that could otherwise be used to redevelop blighted areas, so this bill may have long-term negative fiscal effects.

Oversight notes this proposal changes the definition of “blighted area” and “conservation area” while also changing the criteria required to be met by conservation areas before redevelopment plans can take place. This proposed legislation would also change the requirements for retail areas and development allowances in flood plains for tax increment financing projects. Under this proposed legislation, potential tax increment financing project areas must first be studied by a party other than the proponent of the redevelopment plan.

Redevelopment plans approved or amended after December 31, 2020 by St. Louis City may provide for the deposit of up to ten percent (10%) of the tax increment financing revenues into a strategic infrastructure for economic growth fund instead of depositing such amounts into the special allocation fund. Oversight will reflect potential income into the new St. Louis City fund and an offsetting loss to their special allocation fund.

Oversight notes this proposed legislation would allow for redevelopment projects that are located in an area designated as a flood plain so long as the redevelopment projects are within one of the following political subdivisions: Jackson County, Jefferson County, City of Platte City, City of St. Joseph, City of Springfield, port district or levee/drainage district (so long as it was created prior to August 28, 2020). The allowances granted, and otherwise not granted, shall not apply to projects or districts approved prior to June 30, 2021.

Oversight also notes this proposed legislation would allow for ambulance district boards, fire protection district boards, and any governing body operating a 911 center providing dispatch services who imposes a property tax for the purposes of providing emergency services to be entitled to reimbursement from the special allocation fund in the amount of at least fifty percent but not more than one hundred percent of the districts or 911 center’s tax increment. In addition, any ambulance district boards, fire protection districts or any governing body operating a 911 center imposing an economic activities tax for the purposes of providing emergency services shall be entitled to reimbursement from the special allocation fund.

ASSUMPTION (continued)

In response to the previous version of this proposed legislation, officials from the **City of Columbia** and **St. Louis County** each assume there is no fiscal impact from this proposed legislation.

Oversight will not show a fiscal impact of the changes to the tax increment financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight considers this to be an indirect impact of the proposed legislation.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Senate Amendment 1 -

Oversight notes Amendment 1 would allow school boards to vote to exclude the school district's operating levy for school purposes from the definition of "levies upon taxable real property in such redevelopment project by taxing districts." The measure must be placed on the agenda at two consecutive meetings of the school board before the board may vote to exclude the school district's operating levy from the definition. Oversight will show a possible savings to school districts and an offsetting loss to TIF districts.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Income</u> - various taxing districts - allowed to retain a portion of their revenues	\$0	\$0 or Unknown	\$0 or Unknown
<u>Loss</u> - TIF Districts - various taxing districts may be allowed to be excluded from TIF requirements	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Income</u> - City of St. Louis - Strategic Infrastructure for Economic Growth Fund - City allowed to allocate up to 10% of TIF revenues to this fund (§99.821)	\$0	\$0 or Unknown	\$0 or Unknown
<u>Loss</u> - City of St. Louis - Special Allocation Fund - City allowed to allocate up to 10% of TIF revenues to a new fund (§99.821)	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT TO THE LOCAL POLITICAL SUBDIVISIONS	<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 act modifies several provisions relating to tax increment financing.

This act modifies the definitions of "blighted area" and "conservation area", and creates new definitions for "port infrastructure projects", "retail area", and "retail infrastructure projects". (Section 99.805)

This act modifies local tax increment financing projects by providing that a study shall be conducted by a party other than the proponent of the redevelopment plan, which details how the area meets the definition of an area eligible to receive tax increment financing.

FISCAL DESCRIPTION (continued)

This act also provides that retail areas, as defined in the act, shall not receive tax increment financing unless such financing is exclusively utilized to fund retail infrastructure projects, as defined in the act, or unless such area is a blighted or conservation area. (Section 99.810)

For tax increment financing projects approved or amended after December 31, 2020, the City of St. Louis may provide for the deposit of up to 10% of the tax increment financing revenues

generated by the project into a Strategic Infrastructure for Economic Growth Fund to be established by the city. Moneys deposited in such fund may be expended by the city for the purpose of funding capital investments in public infrastructure that is located in a census tract that is defined as a low-income community or is eligible to be designated as a Qualified Opportunity Zone under federal law. (Section 99.821)

This act prohibits new projects from being authorized in any Greenfield area. (Section 99.843)

This act also prohibits new projects from being authorized in an area designated as a flood plain by the Federal Emergency Management Agency unless such projects are located in 1) Jackson or Clay counties; 2) the cities of Springfield or St. Joseph, 3) in a port district, provided such financing is utilized for port infrastructure projects; or 4) in a levee or drainage district created prior to August 28, 2020. This provision shall not apply to tax increment financing projects or districts approved prior to June 30, 2021, and such projects may be modified, amended, or expanded by not more than forty percent of such projects' original projected cost. Projects in flood plains shall not be authorized in St. Charles County unless the redevelopment area actually abuts a river or major waterway, as described in the act. (Section 99.847)

Current law allows districts and counties imposing a property tax for the purposes of providing emergency services to be entitled to reimbursement from the special allocation fund of a portion of the district's or county's tax increment. This act modifies such provision to allow reimbursement to ambulance districts, fire protection districts, and governing bodies operating a 911 center providing dispatch services and which impose property taxes or economic activity taxes for such purposes. (Section 99.848)

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 Administration - Division of Budget & Planning
Missouri Department of Revenue
Missouri Department of Public Safety - State Emergency Management Agency
Missouri State Tax Commission
Missouri Department of Economic Development - Business and Community Solutions Division
Missouri Department of Economic Development - Missouri Development Finance Board
City of Kansas City
City of Springfield
City of Columbia
St. Louis County



Julie Morff
Director
January 29, 2020



Ross Strobe
Assistant Director
January 29, 2020