

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6084-02
Bill No.: HB 1865
Subject: Bonds, Political Subdivisions
Type: Original
Date: March 2, 2012

Bill Summary: This proposal modifies provisions relating to due diligence with regard to economic development incentives.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|--------------------------|--------------------------|--------------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue | \$0 or (\$68,405) | \$0 or (\$74,352) | \$0 or (\$75,152) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 or (\$68,405) | \$0 or (\$74,352) | \$0 or (\$75,152) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|-------------------|-------------------|-------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| | | | |
| Total Estimated Net Effect on FTE | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |

- 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 2013 | FY 2014 | FY 2015 |
| Local Government | (Minimal) | (Minimal) | (Minimal) |

FISCAL ANALYSIS

ASSUMPTION

Section 67.095 Public Hearing on Bond Issuance

Officials from the **City of Kansas City** and **St. Louis County** assume additional costs from publishing notices.

Oversight assumes for fiscal note purposes, that the potential cost of advertising the public hearing would have a minimal negative impact to local governments.

Section 620.007, 620.008 Department of Economic Development Requirements

Officials at the **Department of Economic Development (DED)** assume this proposal expands the current level of due diligence conducted by DED on applications for economic development assistance.

DED's Division of Business and Community Services requests three FTE in order to implement the proposed legislation. These FTE will be one Fiscal and Administrative Manager-Band II position, one Accounting Specialist III position, and one Investigator III position. The Investigator position will be responsible for reviewing background check documentation and investigating the documentation for compliance. The Accounting Specialist position will be responsible for analyzing and interpreting financial statements and other financial documentation regarding the applicant to determine financial stability. The Fiscal and Administrative Manager Band II will be responsible for management and oversight of the new requirements.

Officials at the **Missouri Highway Patrol** assume there is no fiscal impact from this proposal.

Officials at the **City of Kansas City** and **St. Louis County** assume a minimal cost to preparing the information.

Oversight assumes this proposal in sections 620.007 and 620.008, requires applicants for economic development assistance to provide certain information to DED. The proposal does not specify any requirements for review or analysis of the provided information. Therefore DED should be able to collect the required information with existing staff.

Oversight assumes this proposal in section 620.009, requires the sharing of information concerning a company seeking economic incentives. Since state and local governments would be reviewing the information about the company seeking the economic incentives this proposal would have no fiscal impact.

ASSUMPTION (continued)

Oversight notes this proposal requires the notification of local governments of DED's opinion on proposals for economic development that have both local and state resource incentives. Oversight assumes that since the state is already involved in the evaluation of the proposed incentives that DED may be able to handle these new responsibilities with existing staff. Oversight will show the fiscal impact as being zero (no FTE) to the cost of one Fiscal and Administrative Manager to potential oversee the coordination of the dissemination of the information.

Bill as a Whole

Officials at the **Department of Agriculture** and the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

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 at the following counties: Andrew, Barry, Bates, Boone, Buchanan, Butler, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Hickory, Holt, Jackson, Jasper, Jefferson, Johnson, Knox, Laclede, Lafayette, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Pemiscot, Perry, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Texas, Warren, Wayne and Webster did not respond to **Oversight's** request for fiscal impact.

ASSUMPTION (continued)

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Kennett, Kirksville, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Linn, Louisiana, Maryland Heights, Maryville, Mexico, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to **Oversight's** request for fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|--|---------------------------------|---------------------------------|---------------------------------|
| GENERAL REVENUE | | | |
| Cost - Dept of Economic Development | | | |
| Personal Service | \$0 or (\$38,060) | \$0 or (\$46,129) | \$0 or (\$46,590) |
| Fringe Benefit | \$0 or (\$20,149) | \$0 or (\$24,421) | \$0 or (\$24,665) |
| Equipment and Expenses | <u>\$0 or (\$10,196)</u> | <u>\$0 or (\$3,802)</u> | <u>\$0 or (\$3,897)</u> |
| Total Cost - DED | \$0 or (\$68,405) | \$0 or (\$74,352) | \$0 or (\$75,152) |
| FTE Change - DED | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0 or (\$68,405)</u> | <u>\$0 or (\$74,352)</u> | <u>\$0 or (\$75,152)</u> |
| Estimated Net FTE Change on General Revenue | 0 or 1 FTE | 0 or 1 FTE | 0 or 1 FTE |

| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|--|-------------------------|-------------------------|-------------------------|
| LOCAL POLITICAL SUBDIVISION FUNDS | | | |
| <u>Cost- Local Political Subdivision Funds publishing the required bond notice</u> | <u>(Minimal)</u> | <u>(Minimal)</u> | <u>(Minimal)</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS | <u>(Minimal)</u> | <u>(Minimal)</u> | <u>(Minimal)</u> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill requires a political subdivision to hold a public hearing on the issuance of any bond that has a pledge of future appropriations securing the bond's debt service before issuing the bond. Notice of the hearing must be published once a week for two consecutive weeks in a newspaper of general circulation in the county. The last notice must not be less than 10 days before the hearing and must indicate that the issuance of the bond could have an adverse effect on the entity's bond rating, credit rating, and cost of future borrowing and that a successful bond may have a positive impact on the community. The hearing must be at a regularly scheduled meeting of the governing body and must allow public testimony. These provisions cannot apply to the refinancing of current indebtedness.

The Department of Economic Development must require applicants for economic development assistance to provide third-party verification of financial information when it is submitted to the department and may require key officers of any start-up company who is applying for assistance to pay the fees for any background check.

The Department of Economic Development must share all information it has about a company seeking economic development incentives with all local governments and economic development officials competing for the company's business. Local governments and economic development officials must also share all negative information they receive about a company.

The Department of Economic Development must develop a five-star system to apprise local governments of the department's opinion on proposals for economic development incentives that

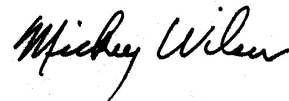
FISCAL DESCRIPTION (continued)

combine local and state resources.

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

City of Kansas City
Department of Agriculture
Department of Economic Development
Joint Committee on Administrative Rules
Missouri Highway Patrol
Office of the Secretary of State
St. Louis County



Mickey Wilson, CPA
Director
March 2, 2012