

HCS HB 1865 -- DUE DILIGENCE FOR ECONOMIC DEVELOPMENT INCENTIVES

SPONSOR: Barnes

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Government Oversight and Accountability by a vote of 8 to 1.

This substitute 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 or to a political subdivision with a population over 300,000 that has a charter or other ballot measure approved by its voters which has enacted a policy that reflects best practices for the prudent use of debt, including bonds, and the use of economic incentives that contain, at a minimum, the following components:

- (1) Use of an annual appropriation pledge;
- (2) Debt capacity;
- (3) Use of third-party professionals;
- (4) Structuring and marketing of the bonds; and
- (5) Management of credit ratings.

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 must conduct or have conducted criminal and financial background checks on key officers of any start-up company. It may require additional fees to pay for the background checks.

The department 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, local not-for-profit economic development organizations, and economic development officials must also share all negative information they receive

about a company.

The department must develop a five-star system to apprise local governments of the department's opinion on proposals for economic development incentives that combine local and state resources.

Any new consulting contract by a person representing or performing services for the State of Missouri in a foreign country must contain a provision that the consultant refrain from representing companies from that country in proceedings before or negotiations with the department or for any other public policy purpose in Missouri.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an income of \$0 or a cost of \$68,405 in FY 2013, an income of \$0 or a cost of \$74,352 in FY 2014, and an income of \$0 or a cost of \$75,152 in FY 2015. No impact on Other State Funds in FY 2013, FY 2014, and FY 2015.

PROPOSERS: Supporters say that the bill is necessary to insure that the Department of Economic Development takes appropriate steps to protect the bonding process and local communities.

Testifying for the bill was Representative Barnes.

OPPOSERS: Those who oppose the bill say that it will harm economic development in the state.

Testifying against the bill was Missouri Economic Development Council.