

HCS HB 1865 -- ECONOMIC DEVELOPMENT INCENTIVES (Barnes)

COMMITTEE OF ORIGIN: Special Committee on Government Oversight and Accountability

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 greater than 300,000 according to the latest decennial census 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 substitute allows all county collectors to collect fees for collecting assessments and use judicial foreclosure proceedings.

Currently, an economic development tax board established by a city consists of five members. The substitute specifies that a board must consist of at least five members but may be increased to nine. The number of members must be designated in the order or ordinance imposing the sales tax authorized under Section 67.1305, RSMo. One member of a five-member board or two members of a nine-member board must be appointed by the school districts within any economic development plan or the area funded by the sales tax. Three members of a five-member board or five members of a nine-member board must be appointed by the chief elected officer of the city with the consent of the majority of its governing body. One member of a five-member board or two members

of a nine-member board must be appointed by the governing body of the county in which the city is located. If a board is already in existence, any increase in the number of members must be designated in an order or ordinance. The substitute also specifies the terms and election cycle for appointing the additional members.

The Department of Economic Development must require start-up companies that apply for economic development incentives, where the incentive is provided up-front, to provide verification of financial information when it is submitted to the department and must conduct or have conducted a financial background check 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 cannot enter into a nondisclosure agreement that forbids the sharing of adverse information.

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.

The department must include a conflict of interest policy in all new consulting contracts for trade offices in foreign countries.

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.