

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1338-01
Bill No.: Truly Agreed To and Finally Passed HB 514
Subject: Taxation and Revenue - General; Economic Development
Type: Original
Date: May 19, 2015

Bill Summary: This proposal modifies provisions relating to tax increment financing.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Up to \$12,000,000)	(Up to \$12,000,000)	(Up to \$12,000,000)
Total Estimated Net Effect on General Revenue	(Up to \$12,000,000)	(Up to \$12,000,000)	(Up to \$12,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Supplemental Tax Increment Financing Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

*Distribution increase (decrease) net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	Up to \$12,000,000	Up to \$12,000,000	Up to \$12,000,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume §§99.845 and 99.866 allows state tax increment financing (TIF) for a redevelopment plan that includes a former automobile factory or a former public housing site to be the new location or retention of over two thousand geospatial intelligence jobs. The maximum amount of state TIF available for each location is \$12 million dollars in the aggregate. DED assumes a negative impact ranging from \$0 to \$12 million offset by a positive impact as a result of this proposal.

In response to a previous version, officials at the **City of Fenton** stated the City is not aware of any fiscal impact of HB 514, however HB 514 may have an impact if the proponents of this legislation actually submit a proposal to the City. Even then, the impact on the City is unknown at this time. The likely fiscal impact will be on the State of Missouri and the multiple taxing districts with jurisdiction over the former automobile manufacturing plants located in any county of the first class having a charter form of government and having a population of over nine hundred thousand inhabitants.

Officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this proposal adds two areas to those that may be redeveloped and qualify for a TIF. These areas will not be included in the current \$32 million annual limit for TIF; instead, they will have separate limits of \$4 million per year and \$12 million per year, respectively. If a project were to qualify under both provisions, the \$12 million cap prevails.

This proposal will not directly impact total state revenues, but will impact the General Revenue Fund (GR) to the extent additional appropriations to the Supplemental Tax Increment Financing Fund are required. B&P notes this proposal requires DED to request an appropriation for an income tax increment based on the current income tax rates, notwithstanding any income tax rate reductions or replacement that may be in effect after August 28, 2015. This proposal may encourage other economic activity. B&P cannot estimate the induced revenues.

Officials at the **Department of Revenue** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

Officials at **St. Louis County** assume no fiscal impact from this proposal.

Oversight assumes there could be a loss to the GR of up to \$12 million for redevelopment projects involving the former automobile manufacturing plants and the former insurance company national service center located in St. Louis County for incremental new state revenues generated by the project. This would be transferred upon appropriation to St. Louis County for up to 50% of incremental state revenues from sales tax and/or state income tax withheld.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Loss - DED - transfer of incremental new state revenues for redevelopment projects</u>	(Up to <u>\$12,000,000</u>)	(Up to <u>\$12,000,000</u>)	(Up to <u>\$12,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Up to \$12,000,000)</u>	<u>(Up to \$12,000,000)</u>	<u>(Up to \$12,000,000)</u>
SUPPLEMENTAL TAX INCREMENT FINANCING FUND			
<u>Transfer In - from GR of incremental new state revenues for redevelopment projects</u>	Up to \$12,000,000	Up to \$12,000,000	Up to \$12,000,000
<u>Transfer Out - to St. Louis County for redevelopment project</u>	(Up to <u>\$12,000,000</u>)	(Up to <u>\$12,000,000</u>)	(Up to <u>\$12,000,000</u>)
ESTIMATED NET EFFECT ON SUPPLEMENTAL TAX INCREMENT FINANCING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
ST. LOUIS COUNTY FUNDS			
<u>Transfer In - incremental new state revenues for redevelopment projects involving former automobile manufacturing plants</u>	Up to <u>\$12,000,000</u>	Up to <u>\$12,000,000</u>	Up to <u>\$12,000,000</u>
ESTIMATED NET EFFECT ON ST. LOUIS COUNTY FUNDS	<u>Up to \$12,000,000</u>	<u>Up to \$12,000,000</u>	<u>Up to \$12,000,000</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

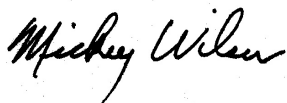
This bill authorizes tax increment financing, not to exceed \$4 million per year, for the redevelopment of former automobile manufacturing plants or a former insurance company national service center located in St. Louis County. The former automobile manufacturing plant must be a redevelopment area containing a minimum of 100 acres that was previously used primarily for the manufacture of automobiles but ceased operations after the 2007 calendar year.

The bill adds an additional \$12 million to the tax increment financing cap to be used solely for the purpose of tax increment financing projects for the retention of a federal employer employing over 2,000 geospatial-intelligence jobs. The bill authorizes the state and St. Louis City to enter into a financing agreement relating to the redevelopment of an area contiguous with a former public housing site that has been declared blighted that may lead to the retention of a federal employer employing over 2,000 geospatial intelligence jobs.

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

Department of Economic Development
City of Fenton
Department of Revenue
State Tax Commission
Office of Administration
 Division of Budget and Planning
St. Louis County



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Director
May 19, 2015

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Assistant Director
May 19, 2015