

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4550-05
Bill No.: HCS for HB1889 & 1946
Subject: Cities, Towns and Villages Department.
Type: Original
Date: May 7, 2002
 # To correct fiscal summary totals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue *	(\$148,835 to Unknown)	(\$63,766 to Unknown)	(\$65,384 to over \$9,800,000)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$148,835 to Unknown)	(\$63,766 to Unknown)	(\$65,384 to over \$9,800,000) #

* subject to appropriation.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0 to \$9,800,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

FISCAL ANALYSIS

ASSUMPTION

KANSAS AND MISSOURI METROPOLITAN CULTURAL DISTRICT; Section 67.642.

Officials from the **City of Kansas City (CKC)** state the fiscal impact for this bill will begin in July 2005, according to Section 67.642 of this bill. CKC assumes that state funding could be as much as \$9,800,000 per year. In addition, increased economic activity at Arrowhead and Kauffman stadiums will generate revenue in the form of increased earnings taxes, utility taxes and sales taxes for the City and additional income and sales taxes for the state which can be used to leverage additional economic development in and around the Sports Center Redevelopment Area.

Office of Administration officials assumes this provision would allow the General Assembly to annually appropriate up to \$9.8 million from the State's General Revenue Fund for projects undertaken by the Kansas and Missouri Metropolitan Cultural District. This legislation does not mandate any appropriation and does not allow any appropriation prior to FY 2005.

Jackson County Sports Complex Authority officials assume this proposal would have no fiscal impact unless the Bi-State Sales Tax is extended, the leases with the teams are extended or renegotiated, and if the Legislature would appropriate up to \$9,800,000 to the Kansas and Missouri Metropolitan Cultural District for the purpose of refurbishing the Stadiums under the Authority.

Oversight assumes the state would be allowed to make annual appropriations to the Kansas and Missouri Metropolitan Cultural Districts of up to \$9,800,000 starting in FY 2005. Therefore, for purposes of this fiscal note, Oversight assumes this part of the proposal would have no fiscal impact in fiscal years 2003, and 2004. **Costs to the State's General Revenue Fund would be subject to appropriation. Cost will be shown as \$0 to (\$9,800,000).**

CITY OF ST. LOUIS- SAVVIS CENTER (SECTION 67.659)

This section would allow the City of St. Louis to retain the first \$3,000,000 of the State's portion of all sales tax revenue collected pursuant to Chapter 144 RSMo, of the sales inside, on the grounds of, or for tickets to any event in, any multipurpose facility located in and owned by the City of St. Louis. Oversight assumes that the **effective date of this proposal would be on July 1, 2005, or State Fiscal Year 2006.** Oversight assumes that this section is beyond the scope of this fiscal note and will be shown as \$0 fiscal impact in FY 2003, 2004, and 2005.

Oversight assumes the provisions contained in this section could have future impact as much as \$3,000,000 annually beginning July 1, 2005 or Fiscal Year 200

ASSUMPTION (continued)

SPORTS CENTER REDEVELOPMENT AUTHORITY ACT; Sections 67.2000 to 67.2060.

Officials of the **Governor's Office** and **State Treasurer's Office** assumed no fiscal impact to their office.

Department of Elementary and Secondary Education assumed no fiscal impact to their department.

Missouri Department of Transportation assumed this proposal could require MoDOT to incur the expense of providing modern interstate-style highways serving the new sports centers and the surrounding redevelopment areas. Officials assume this legislation would have a significant indirect, "voluntary" cost impact. If the new facilities are built away from the current St. Louis and Kansas City stadiums, then MoDOT may need to add highway entrance and exit ramps, additional highway bridges, etc., to serve the public stadiums. Officials assume no immediate fiscal impact.

Officials of the **Department of Revenue- Division of Taxation** assume new state revenues includes the increase of withholding tax is reported as a single amount for all locations, if an employer in the area has employees outside the area as well, officials would be unable to determine the increase of withholding tax. The reporting of withholding tax is in no way at all set up to gather information by business location. A complete system rewrite would be needed if this proposal were passed as written. **This cost is (Unknown)**

DOR officials stated that a tax credit is authorized for small business who makes a capital expenditure for betterment or addition to the company. This tax credit would require program changes to MINITS and would require 1 FTE to handle the increase in errors and correspondence. It is estimated that 1 TPT I, (FTE) would be needed for every additional 30,000 errors per year, and 1 TPT I (FTE), would be needed for every additional 3,000 pieces of correspondence per year. One tax season temp for verification/certification of the credit. DOR officials estimate costs of Personal Services for 2 FTE, Tax Processing Technician (TPT), with Fringe Benefits at \$48,855 for 10 months of FY 2003; \$59,088 in FY 2004; and \$60,565 in FY 2005. This figure includes \$600 for a Temporary Tax Employee for 6 months. Equipment and Expense costs are estimated at \$99,980 in FY 2003; \$4,678 in FY 2004; and \$4,819 in FY 2005.

Officials stated that program changes to MINITS and COINS would be needed in order to process, track, and administer the new tax credit authorized in the legislation. The speed-up program would need to be changed in order to key the new tax credit. It is estimated that the program changes to MINITS and COINS would require 1,384 hours of programming at a cost of ASSUMPTION (continued)

\$46,170. The State Data Center cost to implement the proposed legislation would be \$9,007. **Total programming costs is \$55,177.**

DOR officials stated that the MITS would need to create a taxing district (shape file) enclosing

the redevelopment area in order to gather the sales revenues and/or sales taxes generated to be able to identify, report and track the “new state revenues”. Officials estimate the above program changes would require 692 hours of programming at a total cost of \$23,085. The State Data Center cost to implement the proposal would be \$4,503. **The total cost would be \$27,588.**

Officials from the **Office of Administration- Division of Budget and Planning (BAP)** officials stated that for purposes of this fiscal note, the only segment that is estimatable is Section 67.2033 subsection 3. This Section allows the state to appropriate up to \$7 million annually, beginning in Fiscal Year 2006, (assuming the proposal would pass this session), to pay the State’s share of debt service on the stadium. Officials assume there would be no State fiscal impact until Fiscal Year 2006. Officials assume beginning in Fiscal Year 2006 the State could incur a General Revenue cost of up to \$7, 000,000 per year for 30 years.

Officials stated that there is a provision that mandates that the stadium authority receives all the income derived from the sale of the “naming rights” to the stadium. After 10 years some of this revenue could be used to reimburse the state if the “new state revenues” as defined in Section 67.2009 do not meet or exceed the amount of the State’s annual appropriation. As there is no empirical basis for estimating the value of the “naming rights”, no estimate of the impact of this provision can be made. Officials assume that there would be no loss to existing revenue streams for the additional exemption contained in Section 67.2051, because it would only be applicable if a stadium were constructed.

Officials of the **City of St. Louis- Division of Budget** assume that the City would realize a positive fiscal impact, from local taxes during the construction of the \$326 million dollar stadium through 2005. Beginning in 2005, officials assume the City would be required to appropriate \$4.2 million dollars per year for 30 years through the year 2034. Officials assume these annual payments are to be offset by the incremental taxes generated by activities at the new ballpark. Based on St. Louis Cardinals projections of incremental taxes over current levels the net present value at 6% of the incremental taxes over the required appropriations through the agreement period is a positive \$26.2 million dollars.

Oversight assumes based on research conducted by the Office of Administration- Division of Budget and Planning, that the first year for state fiscal impact would be Fiscal Year 2006. Therefore, fiscal impact would be beyond the scope of this fiscal note.

ASSUMPTION (continued)

Oversight assumes this proposal is enabling legislation and as written does not require any affected city or county to establish a Sports Center Redevelopment Authority.

Oversight assumes that if the affected cities would establish a Sports Center Redevelopment Authority and if the Missouri General Assembly were to elect to annually appropriate funds to provide debt service for the established sports authority, the annual costs to the State’s General

Revenue Fund could be as much as \$7,000,000 for 30 years

The State would also realize income from its portion of revenues received from naming rights for the stadium. These funds would be deposited in the State's Naming Rights Fund. This fund could be drawn upon by the state in the event new state revenue from the area would be less than the cumulative annual appropriation for the applicable period made by the state for the debt services on the financing.

If an eligible city were to establish a stadium pursuant to this proposal the city would realize positive fiscal impact from local taxes during the construction of the stadium through fiscal year 2005. The amount of tax revenues is unknown. For purposes of this fiscal note Oversight assumes in Fiscal Year 2006 the city would be required to appropriate approximately \$4,200,000 per year for 30 years, through calendar year 2034. St. Louis officials assumed this annual payment would be offset by new revenues that would be generated by activities associated with the new stadium.

This proposal would allow St. Louis County to contribute tax revenues annually to the benefit of the Sports Center Redevelopment Authority. The proposal does not indicate what that amount would be.

Officials from **St. Louis County** state this proposed bill has no direct fiscal impact on them because its language only permits, but does not require, participation by St. Louis County in funding a Sports Center Redevelopment Authority. However, if the negotiated Project Agreement pertaining to the State, St. Louis City, St. Louis County, and the St. Louis Cardinals is approved by the County Council, it calls for a series of payments starting at \$2 million dollars and increasing by 3 percent compounded each year for a total of 30 years. Depending on interest rates, the present value of this stream is likely to be \$40 million to \$45 million dollars. The source of these funds is a local Hotel/Motel tax currently dedicated to convention and tourism purposes.

Officials from the **Secretary of State's Office (SOS)** state this bill creates a Sports Center Redevelopment Authority.

ASSUMPTION (continued)

SOS assumes this action could require as many as approximately 32 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in

Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown

and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. Officials estimated costs of (\$2,460 in FY 2003, and (Unknown) in FY 2004 and 2005.

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. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years

JACKSON COUNTY RESEARCH PARK; Section 172.273.

Officials from the **University of Missouri** assume this proposal would not fiscally impact them.

Oversight assumes an unknown amount of appropriation from the General Revenue Fund would be needed to establish a research, development and office park in Jackson County to foster life sciences related to business development and provide business incubator facilities for new life sciences related companies. Funding would be needed for all three fiscal years in the scope of this fiscal note for continued funding of the facilities.

Oversight has reflected the fiscal impact to local governments as \$0, since all of these proposals are permissive and does not require municipalities or counties to participate in the economic stimulus projects. **Oversight has not reflected the potential positive economic impact that may occur from these projects.**

SMALL BUSINESS TAX CREDITS; SECTION 1

Department of Revenue officials assume fiscal impact. Please see DOR statement under Sports Center Redevelopment Authority above.

Office of Administration- Division of Budget and Planning assume that Section 1 allows for the Missouri Small Business Investment Tax Credit. The tax credit allows eligible small business to receive a tax credit in the amount of net new revenues if they make a \$25,000 capital expenditure. The tax credit is not capped and is available to the business for 10 years. Unused ASSUMPTION (continued)

credits can be carried forward for five years. The number of small businesses which would take advantage of this program is unknown, and because the program does not have a cap there would be an unknown loss of General Revenue.

Oversight assumes this proposal would result in a \$0 to (Unknown) loss in revenue to the state. The amount of the loss would depend on the number of small businesses utilizing this tax credit. **Oversight has not reflected any positive economic benefits from this part of the proposal.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE			
<u>Loss</u> in Tax Revenue from tax credits (Section 1) **	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>	<u>\$0 to</u> <u>(Unknown)</u>
<u>Costs</u> to Department of Revenue for administration and collection of tax laws and tax credit program			
Personal Service (2 FTE- 1Temp.)	(\$35,920)	(\$43,444)	(\$44,530)
Fringe Benefits	(\$12,935)	(\$15,644)	(\$16,035)
Equipment	(\$13,430)	\$0	\$0
Expense	(\$86,550)	(\$4,678)	(\$4,819)
<u>TOTAL</u> cost to DOR	<u>(\$148,835)</u>	<u>(\$63,766)</u>	<u>(\$65,384)</u>
<u>Cost</u> to General Revenue For funding to Kansas and Missouri Metropolitan Cultural District (Section 67.642)*	<u>\$0</u>	<u>\$0</u>	<u>\$0 to</u> <u>(\$9,800,000)*</u>
<u>Costs</u> - University of Missouri For research, development and office park in Jackson County *	<u>(Unknown) **</u>	<u>(Unknown) **</u>	<u>(Unknown) **</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$148,835 to</u> <u>Unknown)</u>	<u>(\$63,766 to</u> <u>Unknown)</u>	<u>(\$65,384 to</u> <u>over</u> <u>\$9,800,000)</u>

* **Subject to Appropriation**
 ** **Economic Benefits have not been
 reflected.**

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
KANSAS AND MISSOURI METROPOLITAN CULTURAL DISTRICT			

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Income</u> to K and M Metro. Cultural District (Section 67.642) *	<u>\$0</u>	<u>\$0</u>	<u>\$0 to \$9,800,000</u>

*** Subject to Appropriation**

FISCAL IMPACT - Small Business

Small businesses that would qualify for tax credits could realize positive results.

DESCRIPTION

This proposal would fiscally impact small businesses in the newly created Local Economic Opportunities Act and the Missouri Downtown Economic Stimulus Act.

(1) Allows the General Assembly to appropriate up to \$9.8 million annually for projects relating to the Kansas and Missouri Metropolitan Cultural District. No money will be appropriated prior to Fiscal Year 2005. No money will be appropriated unless the current district sales tax is renewed or extended. No money will be appropriated for the benefit of a sports stadium until the lease agreement for such a stadium is renewed or extended;

(2) Allows the Savvis Center in St. Louis to keep \$3 million of the state's portion of all sales tax revenue generated by sales inside, on the grounds of, or for tickets to any event, provided that at least 20 National Basketball Association games are played at the center. These funds are to be used for maintenance and refurbishment. In any fiscal year in which fewer than 20 NBA games are played, \$1 million will be distributed from the Savvis Center's \$3 million fund to the Kiel Opera House for repair, maintenance, or refurbishment of the opera house;

DESCRIPTION (continued)

(3) Creates the Joint Sports Center Redevelopment Authority in the City of St. Louis and St. Louis County;

(4) Gives power to govern any the authority to a board of commissioners. The board will have nine commissioners. Two will be appointed by the mayor of the city; two will be appointed by the county; five will be appointed by the Governor, one of whom will be designated by the Governor as the chair of the board. The substitute explains the term for each of the commissioners and the powers of the board;

(5) States that the authority will constitute a public body corporate and politic and political

instrumentality and specifies its powers;

(6) Requires that the authority hold public hearings before approving the sports center redevelopment plan, that the city find the sports center redevelopment area to be in a blighted area or a conservation area, and that the city approve the sports center redevelopment plan by ordinance prior to executing any part of the redevelopment plan. The substitute outlines the basic required elements of a sports center redevelopment plan;

(7) Allows the authority to issue bonds secured by any revenue available to the authority, including those deposited in the special allocation fund;

(8) States that, for no more than 35 years, economic activity taxes generated within the sports center redevelopment area will be paid to the city and deposited in the special allocation fund;

(9) Allows the state to make an annual appropriation of no more than \$7 million per year, for no more than 30 years, for debt service. The substitute states that the net sum provided by the state cannot exceed \$100 million;

(10) Exempts the income and all properties of the authority from taxation in the state;

(11) Deems the authority to be exempt from taxation when purchasing tangible personal property and materials for the purpose of constructing, repairing, or remodeling facilities;

(12) Requires that any lease on a stadium be for at least 35 years and that the team leasing the stadium play all home games at the stadium during that time. The substitute outlines other requirements of the lessee;

(13) Requires the St. Louis Cardinals, who will presumably be leasing the stadium, to make at least 6,000, \$12 tickets available for each home game every season;

DESCRIPTION (continued)

(14) Requires the St. Louis Cardinals to distribute at least 100,000 complimentary tickets to youth and charitable organizations each year;

(15) Requires the St. Louis Cardinals to contribute at least \$100,000 per year to the development, construction, or refurbishment of neighborhood recreational facilities that will benefit disadvantaged youth in St. Louis City and St. Louis County;

(16) Requires the St. Louis Cardinals to pay all operating, maintenance and capital improvement costs;

(17) Requires that, if the team leasing the stadium is sold prior to the lease-end date, the owners

must pay the authority a portion of the sales price which is attributable to the lease and the stadium;

(18) Requires the St. Louis Cardinals to make payments in lieu of taxes annually to the city and other affected taxing districts in an amount equal to the ad valorem property taxes paid in a specified year;

(19) Requires the St. Louis Cardinals to guarantee the acquisition, construction, and equipping of the stadium and to be responsible for any cost overruns;

(20) Requires the St. Louis Cardinals to pay up to \$100 million in penalties if they fail to accomplish the commencement, acquisition, construction, or equipping of the mixed-use facilities;

(21) Sets as a goal that the St. Louis Cardinals and the developer reserve 25% of the acquisition, construction, or equipping of the stadium for minority-owned businesses and 5% for women-owned businesses;

(22) Gives the naming rights of the stadium to the authority;

(23) Requires that a complimentary luxury suite, available to the public through a lottery, be provided if the stadium is constructed with state appropriations;

(24) Requires the St. Louis Cardinals to pay to the state \$150,000,000 on January 31, 2011, unless five of the following six components of the adjacent ballpark village project are substantially completed by December 31, 2010:

DESCRIPTION (continued)

- (a) 1,850 parking spaces;
- (b) 400 residential units;
- (c) 470,000 square feet of office space;
- (d) 110,000 square feet of commercial or retail space;
- (e) A sports-related museum covering at least 16,000 square feet;
- (f) An entertainment attraction covering at least 94,000 square feet;

(25) Allows the curators of the University of Missouri to establish a research, development, and office park in Jackson County. The purpose of this park is to foster business development and provide business incubator facilities. The curators are encouraged to reinvest any profits resulting from these activities in other research activities of the university; and

(26) Allows certain small businesses to claim a tax credit equal to the amount of new state revenue generated by a capital expenditure of at least \$25,000 in a given year.

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 Elementary and Secondary Education
Department of Transportation
Office of State Treasurer
Department of Revenue
Office of the Secretary of State
Office of Administration - Budget and Planning
Jackson County Sports Complex Authority
University of Missouri
City of Kansas City
City of St. Louis
City of Branson
City of Springfield
St. Louis County

NOT RESPONDING

Jackson County Executive
Department of Economic Development

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, prominent 'M' and 'W'.

Mickey Wilson, CPA
Acting Director
May 7, 2002