

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3307-06
Bill No.: Perfected HCS for HB 1070
Subject: Cities, Towns and Villages; Economic Development.
Type: Original
Date: March 8, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	\$0	\$0	\$0

* Offsetting gains and losses to various local political subdivisions.

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Department of Revenue** stated the proposal would not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state the bill should have no fiscal or administrative impact on their agency. The bill makes the guidelines stricter because of the substantial changes to the definition of a "blighted area" and "conservation area." It is possible this will limit the number of projects able to apply because there are stricter requirements.

In response to a previous version of the proposal, officials from the **School District of Kansas City** assumed the proposal would result in a positive fiscal impact on the district revenue. Tighter guidelines will result in fewer projects qualifying for the incentive, and the district will receive its share of the incremental revenue from the projects.

Officials from the **Lee's Summit School District, St. Louis Public Schools**, the cities of **St. Louis, Kansas City** and **Lee's Summit**, and the counties of **St. Louis, Jackson** and **St. Charles** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Oversight assumes the additional restrictions placed on future TIF projects will not fiscally impact local governments. Oversight also assumes the referendum clauses within the proposal will not fiscally impact local governments as the TIF projects are discretionary.

Oversight assumes the net effect to all local political subdivisions, municipal special allocation funds and all other local taxing entities would net to zero. Therefore, Oversight will reflect the overall fiscal impact at the local level as zero.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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SCHOOL DISTRICTS

<u>Income</u> to School Districts - real property levies attributable to the residential portion of TIF residential developments shall pass through to school districts (99.866)	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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ESTIMATED NET EFFECT SCHOOL DISTRICTS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
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<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2007 (10 Mo.)	FY 2008	FY 2009
MUNICIPAL SPECIAL ALLOCATION FUNDS			
<u>Loss</u> - real property levies attributable to the residential portion of TIF residential developments shall pass through to school districts (99.866)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO MUNICIPAL SPECIAL ALLOCATION FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT TO ALL LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses within current or anticipated TIF areas could be fiscally impacted by this proposal.

DESCRIPTION

This proposal changes the laws regarding tax increment financing (TIF). In its main provisions, the bill:

- (1) States that the revenue derived from any increase in any tax within any TIF district shall be used solely for the specified purposes of the tax increase. In no event shall any such revenue be used for or diverted to any redevelopment plan or project in any TIF district.
- (2) Changes the definitions of "blighted area", "conservation area", and "redevelopment project costs";

DESCRIPTION (continued)

- (3) Requires redevelopment plans adopted by municipal and county governments to be approved by voters if a referendum petition is submitted according to procedures established in the bill;
- (4) Increases from 50% to 90% the amount of total additional revenue from taxes, penalties, and interest that are imposed by a municipality or other taxing district which must be allocated to a separate segregated fund within the special allocation fund for redevelopment plans and projects approved or adopted after August 31, 1991;
- (5) States that a sales tax increase for the Jackson County Sports Authority shall not be allocated to the TIF special allocation fund;
- (6) States a TIF project shall not be authorized within a one hundred year flood plain, unless the redevelopment area actually abuts a river or major waterway and is substantially surrounded by contiguous properties with residential, industrial, or commercial zoning classifications;
- (7) Requires municipalities to pass through real property tax levies attributable to the residential portion of the TIF development to school districts (99.866); and
- (8) Requires, in Kansas City, when tax increment financing is used for a project, those receiving the financing must make all good faith efforts to use minority business enterprises or women business enterprises to help complete the project.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
School District of Kansas City

NOT RESPONDING: Lee's Summit School District, St. Louis Public Schools, cities of St. Louis, Kansas City, and Lee's Summit, counties of St. Louis, Jackson and St. Charles



Mickey Wilson, CPA
Director
March 8, 2006