

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3221-01
BILL NO.: HB 1706
SUBJECT: Department of Economic Development; Brownfield remediation projects
TYPE: Original
DATE: February 8, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Design and Construction**, the **Department of Conservation**, the **Department of Corrections**, the **Department of Revenue**, the **Department of Transportation (DHT)**, the **State Tax Commission**, the **Office of the Attorney General**, the **University of Missouri**, the **City of Hannibal**, the **City of West Plains** and the **City of Kansas City** assume they would not be administratively impacted by this proposed legislation.

Officials from the **Office of Administration - Budget and Planning** assume they would not be administratively impacted by this proposed legislation. Officials did note that the impact on total state revenue is unknown at this time.

Officials from the **Department of Elementary and Secondary Education** assume this proposed legislation would not result in a significant fiscal impact to their agency or to local public school districts.

Officials from the **Department of Natural Resources (DNR)** assume the proposed legislation would allow for demolition and remediation of buildings and areas not directly part of a brownfield, but adjacent to a brownfield, to be included in the project. The proposed changes apply to uncontaminated structures. The Department would not have to provide oversight of the demolition of the structure; however, the program would do a preliminary review of the site to verify the site is not contaminated.

The Department assumes there would not be a significant number of brownfield sites expanding their projects to include adjacent properties. At this time, the Department does not anticipate the need to request additional resources as a result of this proposal. If the number of brownfield sites expanding their projects exceeds our expectations, there may be a need to request additional resources.

Officials from the **Department of Economic Development (DED)** assume this bill has NO IMPACT since this addition doesn't substantively change the definition of "allowable costs", as such activities are currently allowed, if approved by DED/DNR on a discretionary basis. The "allowable costs" definition only applies to loans, guarantees, and grants NOT remediation tax credits.

The **City of St. Louis - St. Louis Development Corporation** assumes fiscal impact to the city from this proposed legislation would be impossible for them to quantify. They stated that the economic impact will be tangible and will come in the form of revitalized vacant and underutilized properties as well as the creation of new jobs from these developments. The economic impact locally as well as to the state will include increased revenue streams in such **ASSUMPTION** (continued)

areas as the following: property taxes, sales taxes, corporate/business income taxes and personal income taxes.

The City of St. Louis also stated that brownfields redevelopment comes in many sizes and shapes and it is this variability (e.g., size of the project, amount of contamination, type of development and its ripple effect, number of jobs created, type of jobs, etc.) that makes the fiscal impact of the proposed legislation to the city very difficult to measure. Since the proposed changes in the statute only expand the definition of items that are considered "eligible" costs, the tax and financial incentives available will continue to be limited to the project's net state economic benefit as determined by the DED.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0
<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

Long-Range Implications

DHT noted that this proposed legislation increases purchases of contaminated lands with their subsequent remediation and redevelopment.

FISCAL IMPACT - Small Business

DNR noted that if a small business owns a contaminated site that would be eligible for the VCP program under these new criteria, they would be able to receive a letter at the conclusion of the clean up from the state that certifies specific standards have been achieved.

DESCRIPTION

This bill allows the demolition and reconstruction of buildings or structures which are not the object of remediation to count as allowable costs under the Brownfield remediation program if (1) the buildings or structures are located on an abandoned or underutilized property which is approved for financial assistance through the program; and (2) the demolition is part of a redevelopment plan approved by the Director of the Department of Economic Development and by the local government with jurisdiction in the area in which the project is located.

DESCRIPTION (continued)

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The bill also allows properties immediately adjacent to any abandoned or underutilized property to qualify as an "eligible project" under the Brownfield remediation program if the abandoned or underutilized property meets program requirements.

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 Conservation
Department of Corrections
Department of Economic Development
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Department of Transportation
Office of Administration - Budget and Planning
Office of Administration - Design and Construction
Office of the Attorney General
State Tax Commission
University of Missouri
Cities of Hannibal, West Plains, Kansas City, St. Louis

NOT RESPONDING: Southwest Missouri State University; Cities of Springfield, St. Joe, St. Charles, Columbia, Jefferson, Joplin, Poplar Bluff and Mexico; Jackson County Executive; St. Louis County - Director of Administration; Counties of Greene, Buchanan, St. Charles, Boone, Marion, Jasper, Audrain, Howell, Butler



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Director
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