

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0109H.01I
Bill No.: HB 213
Subject: Political Subdivisions; Taxation and Revenue - Sales and Use; Tax Incentives;
Business and Commerce; Economic Development
Type: Original
Date: March 9, 2021

Bill Summary: This proposal changes the laws regarding community improvement districts.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains NumberOfPages pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Kansas City** assume this legislation might have a small negative impact in an indeterminate amount because it imposes additional requirements to forming and operating a Community Improvement District (CID) which can impact economic development.

Officials at the **City of Springfield** assume a negative unknown fiscal impact from this proposal because it may have an effect on economic development requiring extensive public improvements due to limiting the term of CIDs to 21 years. Although the bill allows the term to be extended, most developers prefer to match the term with the expected reimbursement period, and they may therefore reduce the scope of their projects.

Oversight notes this proposal changes the laws regarding CIDs to not exceed 21 years unless the governing body of the municipality extends the length of time under §67.1481. Oversight notes there are currently 351 Community Improvement Districts in the State of Missouri. All impose a sales tax, 12 are entities with authority to levy property taxes and 255 impose a use tax. Oversight does not have information to the contrary and therefore, Oversight will reflect a negative unknown impact as provided by the City of Springfield.

Officials from the **Department of Economic Development**, the **Department of Revenue** and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the cities of **Ballwin**, **Bland**, **Claycomo**, **Corder**, **O’Fallon** and **St. Louis** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other municipalities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT –</u> <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost</u> – increased costs to economic development from limitations placed on CIDs	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – CIDs – fines for not filing reports on time §67.1471.6	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenues</u> – School Districts - from potential fines received for not filing reports on time §67.1471.6	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

CIDs who have sales taxes imposed will subject small businesses to signage at their retail establishment within their CID.

FISCAL DESCRIPTION

This bill makes changes to the community improvement district laws. In its main provisions, the bill:

- (1) Adds the anticipated source of funds to pay improvement costs, and the anticipated term of the source of funds to the list of items that must be included in the five-year plan that is required to be included in a petition to establish a community improvement district;

- (2) Limits the duration of the district to 21 years unless the municipality extends the time pursuant to statute;
- (3) Requires a municipal clerk to report in writing the creation of a community improvement district to the state auditor;
- (4) Sets out the qualifications for a district director if there are no registered voters in the district;
- (5) Provides that even if the board of directors is to be elected pursuant to the petition to establish the district, a least one member must be appointed for a four-year term by the governing body of the municipality.

Contracts for construction or professional services must be submitted to competitive bidding and must be awarded to the lowest or best bidder. Notice of letting of the contract must be given in the manner provided in Section 8.250, RSMo.

Currently, community improvement districts are required, within 120 days after the end of the fiscal year, to submit a report to the municipal clerk and the Department of Economic Development stating the services provided, revenues collected, and expenditures made by the district during the fiscal year. The bill requires that the report include the dates the district adopted its annual budget, submitted its proposed annual budget to the municipality, and submitted its annual report to the municipal clerk.

If a district fails to timely submit a proposed annual budget to the municipality, adopt an annual budget, or submit an annual report to the municipal clerk or the Department, it will be subject to a fine of \$100 per day, which will be imposed and collected by the Department and paid into the public school fund of the municipality in which the district is located.

When a district expires or terminates, the real and personal property, machinery, equipment, materials, and supplies of the district must be sold or transferred according to the plan for dissolution approved by ordinance, and all proceeds of the sold property and district funds must be distributed to the public school fund of the municipality in which the district is located.

If a sales tax is imposed by a district, a sign must be posted outdoors by each customer entry of each retail establishment in the district. The sign cannot be smaller than one foot by two feet, and the writing on the sign must be clearly legible and no smaller than three-quarters inch in height. A sign must also be posted at the point of sale area. The sign must state that the Community Improvement District board of directors charges a sales tax of a given percent, in addition to the state and local sales tax rates.

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

City of Kansas City

City of Springfield

Department of Economic Development

Department of Revenue

Office of the State Auditor

City of Ballwin

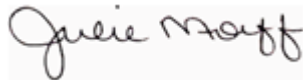
City of Bland

City of Claycomo

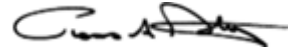
City of Corder

City of O'Fallon

St. Louis City



Julie Morff
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March 9, 2021



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March 9, 2021