FISCAL MEMORANDUM
SB 1924 – HB 1692

May 30, 2007

SUMMARY OF AMENDMENT (009598): Deletes the original bill changes the definition of the word "project" as it applies to authorized investments of an industrial development corporation to include tourist attractions which may include convention center facilities related to a hotel with an aggregate public and private investment exceeding $200,000,000. Provides that such facilities are considered "Qualified Public Use Facilities". Expands the counties authorized to have more than one tourism development zone to include Shelby County. Authorizes qualified projects within such zones to use tax increment financing for project costs without designating such zones as secondary tourism development zones as a requirement to receive tax revenue distributions. Stipulates that no portion of the incremental increase in local sales and use tax revenue available for local schools may be utilized for qualified public use facilities. Defines "minority owned business" and charges projects such as the one defined in the bill to strive to maximize participation of minority owned businesses by requiring the active solicitation of bids from such businesses. Requires the local government to monitor minority owned business participation and report such information to the Comptroller of the Treasury in the manner prescribed by the language of this amendment. Upon receipt of such report, the Comptroller would transmit a synopsis of the report to the members of the Senate and House State and Local Government Committees. The Comptroller and the Commissioner of the Department of Revenue would be required to monitor and evaluate the economic and fiscal impact of the "Convention Center and Tourism Development Financing Act of 1998" and provide the Speakers of the House and Senate and the Senate and House Finance, Ways, and Means Committee members with a report of the findings of the evaluation.

FISCAL IMPACT OF ORIGINAL BILL:

MINIMAL

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

Increase Local Govt. Expenditures – Not Significant
Decease Local Govt. Revenues –
Exceeds $5,000,000/Permissive

Other Fiscal Impact – Authorizing projects such as those outlined in the amended version of the bill to qualify for the tax increment financing will result in foregone revenue to the state and the local government collecting taxes in the qualified zones. The amount of such foregone revenue and the amount that would be retained, by the county, for use by local schools cannot be quantified due to the variability of base year and subsequent year tax collections as well as the varying tax rates in various taxing jurisdictions.

Assumptions applied to amendment:

- A total investment of at least $200,000,000 of which 80% is classified as real property and 20% is classified as personal property for property taxation purposes.
- A 40% classification rate for commercial real property.
- A 30% classification rate for commercial personal property.
- A tax rate of 7.47%.
- Based upon the assumptions noted above, due to the property tax exemption for property owned by Industrial Development Boards, local governments would experience a permissive decrease in property tax revenues exceeding $5,000,000.
- Local governments would have the option of negotiating in-lieu of tax payments to recapture all or a portion of any lost property tax revenue.
- The industrial development board would be eligible to issue municipal bonds to finance such projects. Such issuance and the amount of such issuance would be permissive and cannot be quantified due to the lack of ability to forecast the decisions of local governments, local government entities and private developers involved in any such project.
- Authorizing tax increment financing for qualified projects will result in foregone revenue to state and local governments in most years. The amount of foregone revenue and the amount that could be retained, by the county, for use by local schools cannot be quantified due to the annual variability of the factors which determine the amount of revenue retained for such projects.
- Any increase in local government expenditures due to the administrative cost of gathering the required information and forwarding it to the Comptroller of the Treasury is estimated to be not significant.
- Any increase in state expenditures due to the administrative cost to the Comptroller of the Treasury of gathering the required information and forwarding it to the Senate and House State and Local Government Committees is estimated to be not significant.
- Any increase in state expenditures due to the administrative cost to the Comptroller of the Treasury and the Department of Revenue to evaluate

the “Convention Center and Tourism Development Financing Act of 1998” is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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