

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2017 REGULAR SESSION**

MEASURE

2017 BR NUMBER **1083**

HOUSE BILL NUMBER **388 GA**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to tax increment financing and declaring an emergency.**

SPONSOR **Representative Richard Heath**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

| FISCAL ESTIMATES | 2016-2017 | 2017-2018 | ANNUAL IMPACT AT FULL IMPLEMENTATION |
|---------------------|------------------|------------------|--------------------------------------|
| REVENUES | (Indeterminable) | (Indeterminable) | (Indeterminable) |
| EXPENDITURES | | | |
| NET EFFECT | (Indeterminable) | (Indeterminable) | (Indeterminable) |

() indicates a decrease/negative

MEASURE’S PURPOSE: HB 388 GA proposes an expansion of the exceptions for projects in consolidated local governments and urban-county governments under the mixed-use redevelopment program to projects in all counties. The proposal also expands the projects that can qualify for the program by deleting the \$200 million upper expenditure cap. For blighted urban redevelopment areas, the proposal includes mixed-use development areas with technology parks.

PROVISIONS/MECHANICS: Section 1 amends KRS 65.7045 to add the term “technology park” and defines it to be an area designated for the development of high-tech facilities designed to attract businesses in the technology field with the intent of promoting innovation, advancing education, and creating economic growth for the community.

Section 2 amends KRS 65.7043, which establishes development areas of previously undeveloped land, to include a mixed-use development with a technology park.

Section 3 amends KRS 65.7049 to include technology parks as an option for mixed-use development projects.

KRS 154.030-060 is amended in Section 4, to expand the combination of uses in a mixed-use project that will allow a project to qualify for the state participation program. Currently, within a consolidated local government or urban-county government projects can qualify if the following three requirements apply: at least three qualified uses are included; one of those qualified uses meets the 20 percent requirement; and the other qualified uses, when combined, jointly meet the 20 percent requirement. HB 388 GA expands these requirements to projects within all counties and not just those located within consolidated local governments and urban-county governments. It also removes the upper capital investment limit of \$200 million so that any project over \$20 million could qualify for the program.

Section 5 amends KRS 65.7053 to conform.

Section 6 states the provisions of the Act shall apply to applications not approved prior to the effective date of this Act.

Section 7 declares the measure an emergency and thus will take effect immediately upon passage and approval by the Governor or upon it otherwise becoming law.

FISCAL EXPLANATION: The proposed legislation expands the criteria currently in place, and will likely result in more projects qualifying for tax increment financing. Once approved, a project can recover up to 100 percent of approved public infrastructure costs and up to 100 percent of the cost of land preparation, demolition, and clearance necessary for development to occur. Up to 80 percent of the incremental revenues generated through state taxes imposed in or attributable to the footprint of the project may be pledged to the project. Local taxes may also be pledged to allow developers to recoup these costs.

Since there is no way to determine how many additional projects will qualify as a result of HB 388 GA, it is impossible to determine the magnitude of the negative impact.

DATA SOURCE(S): LRC Staff

PREPARER: Cynthia Brown **NOTE NUMBER:** 154 **REVIEW:** JRS **DATE:** 3/8/2017