

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0398-01  
Bill No.: HB 526  
Subject: Economic Development; Department of Economic Development  
Type: Original  
Date: February 7, 2017

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Bill Summary: This proposal establishes the Economic Development Grant Program whose funds are used to reopen closed manufacturing facilities.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Economic Development Grant Program*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Transfer from General Revenue and disbursements net to zero.

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume this creates \$620.1949, the Economic Development Grant Program and Grant Program Fund. The Fund will consist of money appropriated to it and money from gifts, grants and bequests. DED will run the Program and approve disbursements from the Fund. The money in the Fund shall be used and distributed to allow companies to reopen a manufacturing facility that has been closed. The amount given to a company shall not exceed the amount necessary for the company to reopen a facility. DED shall develop a procedure to apply. If the balance in the fund is insufficient to fund all grants approved, such grants shall be reduced pro rata. This proposal sunsets 6 years after effective date.

DED will need to hire one Economic Development Incentive Specialist III (\$53,136) to administer this program. The fiscal impact is unknown because there is no statutory cap on the amount of money that can be in the fund or how much can be given to any facility.

**Oversight** assumes DED could implement the responsibilities in this proposal with existing staff. Should DED experience the number of additional requests to justify other FTE, DED could seek FTE through the appropriation process.

Officials at the **Office of Administration's Division of Budget and Planning** assume this legislation creates the "Economic Development Grant Program" and the "Economic Development Grant Program Fund" which shall consist of General Revenue appropriations as well as donations and gifts. Monies in this program are to be distributed to certain manufacturing factories that have closed.

While there is no direct impact to General and Total State Revenues, to the extent appropriations are made to the new fund, resources available for other state programs could be reduced.

**Oversight** assumes it is unclear how many companies will reopen a factory because of this program. Oversight will reflect the impact as \$0 (none reopen) to an Unknown amount of grants.

**Oversight** notes the opening of new factories as outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

Officials at the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
<b>GENERAL REVENUE FUND</b>			
<u>Transfer Out</u> - to Economic Development Grant Program Fund - costs of grants used to reopen a factory	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>	<b>\$0 to <u>(Unknown)</u></b>
<b>ECONOMIC DEVELOPMENT GRANT PROGRAM FUND</b>			
<u>Transfer In</u> - from General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - disbursement of money to private companies to reopen factories	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ECONOMIC DEVELOPMENT GRANT PROGRAM FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This legislation could result in small, closed manufacturing businesses reopening using a grant through the Economic Development Grant Program.

FISCAL DESCRIPTION

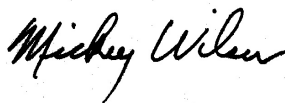
This bill establishes the "Economic Development Grant Program" to be administered by the Department of Economic Development. Moneys deposited into the grant program from state appropriations or any gifts, bequests, or donations will be used by a company to reopen a closed manufacturing facility. The department must develop a procedure for a company to apply for the grant. If appropriations are insufficient in any given fiscal year to fund all grants, each award will be reduced pro rata as necessary.

The provisions of this bill will expire six years after the effective date.

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 Economic Development  
Joint Committee on Administrative Rules  
Office of Administration  
Division of Budget and Planning  
Office of the Secretary of State  
Office of the State Treasurer



Mickey Wilson, CPA  
Director

Ross Strobe  
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