

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4136-02
Bill No.: HB 1511
Subject: Economic Development; Economic Development, Department of
Type: Original
Date: January 4, 2016

Bill Summary: This proposal establishes the Economic Development Grant Program to be used to reopen a closed manufacturing facility.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | \$0 to (Unknown Greater than \$100,000) | \$0 to (Unknown Greater than \$100,000) | \$0 to (Unknown Greater than \$100,000) |
| Total Estimated Net Effect on General Revenue | \$0 to (Unknown Greater than \$100,000) | \$0 to (Unknown Greater than \$100,000) | \$0 to (Unknown Greater than \$100,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

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

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Economic Development (DED)** assume §620.1950.1 creates the Economic Development Grant Program Fund. The Fund is funded by money appropriated annually by the general assembly from general revenue plus any gifts, bequests, or donations.

§620.1950.2 creates the Economic Development Grant Program. It requires the Department of Economic Development to administer the program and approve disbursements from the Fund.

§620.1950.3 provides money to reopen a closed manufacturing facility. A company shall not receive more money from the Fund than the amount necessary to reopen the manufacturing facility. Further requires DED to develop an application procedure.

Because this is a new program, DED will have to hire a new Economic Development Incentive Specialist III to administer the program.

Because the legislature must appropriate money into the fund, there is no way to say for certain what the impact on Total State Revenues would be except to say that any impact on Total State Revenues would correspond with the amount of the appropriation into the Fund.

Oversight assumes DED could implement the responsibilities in this proposal with existing staff. Should DED experience the number of additional redemptions to justify other FTE, they could seek that 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," a fund consisting 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, this could reduce resources otherwise available for K-12 education, or other programs, in future years.

Officials at the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume no fiscal impact from this proposal to their respective organizations.

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 Unknown greater than \$100,000 in grant amounts.

ASSUMPTION (continued)

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 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 2017 (10 Mo.) | FY 2018 | FY 2019 |
|--|---|---|---|
| GENERAL REVENUE | | | |
| Cost - DED - costs of grants used to reopen a factory | \$0 to (Unknown greater than <u>\$100,000</u>) | \$0 to (Unknown greater than <u>\$100,000</u>) | \$0 to (Unknown greater than <u>\$100,000</u>) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | \$0 to (Unknown greater than <u>\$100,000</u>) | \$0 to (Unknown greater than <u>\$100,000</u>) | \$0 to (Unknown greater than <u>\$100,000</u>) |
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small businesses that receive the grants would be positively impact by this proposal.

FISCAL DESCRIPTION

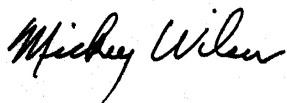
This bill establishes the Economic Development Grant Program to be administered by the Department of Economic Development. Moneys deposited into the grant program from state appropriations or any gifts, bequests, or donations will be used by a company to reopen a manufacturing factory that has been closed. 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
Office of the State Treasurer
Office of Administration's Division of Budget and Planning
Joint Committee on Administrative Rules
Office of the Secretary of State



Mickey Wilson, CPA
Director
January 4, 2016

Ross Strope
Assistant Director
January 4, 2016