



**Fiscal Estimate Narratives**  
**COMM 3/21/02**

LRB Number <b>01-2658/3</b>	Introduction Number <b>AB-905</b>	Estimate Type <b>Original</b>
<b>Subject</b>		
Creating a planning and accountability mechanism for administering public subsidies to businesses		

**Assumptions Used in Arriving at Fiscal Estimate**

This bill creates reporting and other requirements for subsidies that are provided to businesses by state and local government agencies. The bill requires agencies to develop written criteria for awarding subsidies that contain certain minimum requirements of businesses to remain eligible to receive subsidies. The bill requires businesses to enter into a written contract with the awarding agency, which must detail the goals and conditions of the award. The bill also creates certain reporting requirements of award recipients as well as granting agencies and requires the Legislative Audit Bureau to publish a report on business subsidies and to evaluate their effectiveness. The bill requires applicants to reveal any convictions for violations of state or federal violations of environmental or labor law. The bill also requires granting agencies to hold one public hearing in the political subdivision directly affected by the subsidy, and creates certain filing requirements of granting agencies.

The Department estimates that it will be unable to absorb the additional administrative and program expenses created by this bill. The Department anticipates the need for an additional 1.5 FTE Economic Development Specialists as a result of the hearing requirements. These positions will be necessary to prepare information regarding business subsidies in each Area Development regions, prepare documents for the annual reporting requirement and will represent the Department at hearings. In addition to salary and fringe benefit costs, these positions will need continuous access to vehicles, and will impose additional rent and one-time costs to the Department. The Department will also incur additional costs related to the posting of hearings as well as travel expenses. These costs are explained in detail below.

The Department's administrative costs will increase due to the filing requirements of the bill. The additional filing costs associated with this bill will necessitate a \$30,000 upgrade to the Department's current filing capabilities, as well as moving and rent expenses incurred from creating space for the anticipated documents. The Department anticipates the need to hire an additional 1.0 FTE Program Assistant to file and perform file maintenance on business subsidy and loan documents as well as helping staff prepare annual reports on business subsidies for LAB.

Local governmental expenses will vary depending on ability to grant subsidies, cost structures and staffing levels. Due to reporting requirements and the costs involved with ensuring compliance, local governments may be unable to absorb any additional costs created by this bill.

**1.5 FTE Economic Development Consultant Positions**

Salary: \$58,200  
Fringe Benefits: \$21,600  
Supplies and Services: \$22,500  
Rent: \$ 1,500  
One-Time Costs: \$ 7,000

Total: \$110,800

**1.0 FTE Program Assistant 2**

Salary: \$22,700  
Fringe Benefits: \$ 8,500  
Supplies and Services: \$ 2,000  
Rent: \$ 2,000

One-Time Costs: \$ 3,000

Total: \$38,200

Other Administrative Expenses

Filing System: \$30,000

Moving Expenses: \$ 3,000

Rent Increase: \$ 3,000

Total: \$36,000

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Subject</b>			
Creating a planning and accountability mechanism for administering public subsidies to businesses			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
\$46,000			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$111,000	
(FTE Position Changes)		(2.5 FTE)	
State Operations - Other Costs		28,000	
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$139,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR		139,000	
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$139,000	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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