

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-3838/3	Introduction Number AB-0794
------------------------------------	---

Description
 Changes to economic development tax benefit programs, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input checked="" type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.143 (1) (a)	

Agency/Prepared By COMM/ Julie Keal (608) 266-6748	Authorized Signature Louie Cornelius (608) 266-8629	Date 2/20/2008
--	---	--------------------------

Fiscal Estimate Narratives
COMM 2/20/2008

LRB Number 07-3838/3	Introduction Number AB-0794	Estimate Type Original
Description Changes to economic development tax benefit programs, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority		

Assumptions Used in Arriving at Fiscal Estimate

This bill has two main sections:

A. Tax Credit Program Consolidation

These sections of the bill eliminate five existing Commerce tax credit programs (Community Development Zones, Enterprise Development Zones, Technology Zones, Agriculture Zones, and Airport Zones), and create a new consolidated tax credit program. The unallocated balances remaining in the five programs on the effective date of the bill will be transferred to the consolidated program.

Under the consolidated program Commerce will conduct the same certification, allocation, and verification activities that it conducts under the current programs. These sections of the bill will not have a fiscal effect on the Department of Commerce.

B. Commerce's Economic Development Assistance Reporting

Commerce must annually submit a comprehensive report assessing the economic development programs it administers to the Joint Legislative Audit Committee and the appropriate standing committees of the Assembly and the Senate. This report must contain information about:

1. The number of grants and loans made each year.
2. The amount of each grant and loan.
3. The name of each recipient.
4. The sum total of all grants and loans received by each recipient.
5. A description of each program.
6. Quantifiable performance measures for each program.
7. A comparison of the expected and actual outcomes for each program.
8. The amount of tax benefits allocated and verified.

Over the past four years, Commerce has made an average of 370 economic development awards each year. The Department estimates that the number of new awards, plus the number of awards that Commerce actively tracks from past years, is likely to result in 2,300 projects that will be subject to the reporting requirements under this bill.

Commerce will need 1.0 FTE position to prepare this report, which will involve working with grant, loan, and tax benefit recipients. Costs for the position will be as follows:

Salary -- \$32,700
Fringe -- \$14,900
Supplies -- \$11,500
Total -- \$59,100

Commerce must make this information available on the internet. The Department of Commerce's Information Technology Bureau estimates that it will take approximately 2000 hours to develop the application necessary to fulfill the bill's reporting requirements. Based on an annual application development position of 1650 billable hours, it will take approximately a year and a quarter for one full-time employee to complete this project. After the application is developed, it is not expected to change and further technical maintenance should be able to be absorbed by the current Information Technology staff. The Department of Commerce's Information Technology Bureau estimates that it will cost about \$50,000 in other administrative expenses, such as software and development tools. Annual costs for 1.0 FTE project position (needed for 1.5 years) will be as follows:

Salary -- \$62,400
Fringe -- \$28,400
Supplies -- \$11,500
Other software expenses -- \$50,000
Total -- \$152,300

Two separate bills have been introduced, AB 741 and SB 434, that focus on reporting requirements, though they are broader in scope and assign additional responsibilities to the Department. They include the preparation of a comprehensive report and the inclusion of information about grants and loans on the Internet. The two positions identified in this bill will perform the Commerce-focused responsibilities required in those two bills as they relate to reporting requirements and the development of the application necessary to fulfill the reporting requirements.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-3838/3		Introduction Number AB-0794	
Description Changes to economic development tax benefit programs, providing an exemption from emergency rule procedures, and requiring the exercise of rule-making authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): \$50,000 for software expenses for the Internet based reporting system.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$138,400		\$
(FTE Position Changes)	(2.0 FTE)		
State Operations - Other Costs	23,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$161,400		\$
B. State Costs by Source of Funds			
GPR	161,400		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>		<u>Local</u>
NET CHANGE IN COSTS	\$161,400		\$
NET CHANGE IN REVENUE	\$		\$
Agency/Prepared By		Authorized Signature	Date
COMM/ Julie Keal (608) 266-6748		Louie Cornelius (608) 266-8629	2/20/2008