



## Fiscal Estimate Narratives

COMM 3/31/2008

LRB Number	07-3599/1	Introduction Number	AB-0935	Estimate Type	Original
<b>Description</b> creating reporting and repayment requirements for grants, loans, and tax benefits provided to businesses by the Department of Revenue and the Department of Commerce.					

### Assumptions Used in Arriving at Fiscal Estimate

This bill places the following requirements on the Department of Commerce:

1. Annually submit a report to the legislature that contains certain information about development assistance provided in the previous year and amounts recovered from recipients in the previous year.
2. Place required annual reports from recipients of development assistance on the internet. These reports must contain the following information:
  - A. The name of the program and the amount of the assistance.
  - B. The number of employees employed at the site for which the recipient received assistance at the time of application and the time of the progress report, broken down by full-time, part-time, and temporary employees.
  - C. The number of new or retained employees that the recipient represented in its application for development assistance would result from the assistance, broken down by full-time, part-time, and temporary employees.
  - D. A statement indicating whether the recipient is in compliance with the terms of the assistance.
  - E. A detailed list of the job classifications or occupations of employees that the recipient intends to hire or retain in the future as a result of the assistance and the intended wages.
  - F. A statement describing any decreases in employment in the state resulting from the recipient's use of the assistance.
  - G. A certification by the recipient's CEO or authorized representative that the progress report contains no knowing misrepresentation of material facts.

Commerce will need to ensure that these reports are in a common format in order to post them on the internet.

3. Require that a recipient of development assistance that violates the provisions of a development agreement repay a full or pro rata share, as determined by the department, of the assistance received.

Over the past 4 years, Commerce has made an average of 370 economic development awards each year. If Commerce's sample size for testing is 20%, that would require Commerce to independently verify on average 75 reports each year. Independent verification would consist of a detailed review of the business's operations, which would include verification of job creation (through examination of actual payroll records), capital investment, worker training (through examination of training records), and other investment included in the economic development project funded by Commerce. Commerce estimates that each verification will take 30 hours, which includes preparation (review of initial contract, report, statutes and administrative code), travel, examination of records, report writing, development of remedies and working with the business to effect remedies. Other work will include the development of a comprehensive tracking and reporting system, and the entry of data into that system.

These verification, repayment, and reporting responsibilities would require 2.0 FTE positions at Commerce. These positions will have the following costs.

Salary -- \$82,000  
Fringe -- \$35,200  
Supplies -- \$12,000

TOTAL -- \$129,200

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> creating reporting and repayment requirements for grants, loans, and tax benefits provided to businesses by the Department of Revenue and the Department of Commerce.		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  None.		
<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	\$117,200	\$
(FTE Position Changes)	(2.0 FTE)	
State Operations - Other Costs	12,000	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$129,200</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR	129,200	
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, etc.)</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>		
	State	Local
NET CHANGE IN COSTS	\$129,200	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b> <b>Authorized Signature</b> <b>Date</b>		
COMM/ Julie Keal (608) 266-6748	Louie Cornelius (608) 266-8629	3/31/2008