LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 494** SLS 24RS 1478
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.: **w/ PROP #2 SEN COMM AMD**
Sub. Bill For.:

Date: April 29, 2024 8:51 AM
Dept./Agy.: Department of Economic Development
Subject: Changes in the Dept. of Economic Development
Author: MIZELL
Analyst: Noah O'Dell

ECONOMIC DEVELOP DEPT EG SEE FISC NOTE See Note
Provides for the Department of Economic Development. (gov sig)

Current law establishes the Dept. of Economic Development and provides for guidelines in regard to admin, programs, and all other aspects of the agency mission, including formation/operation of LA Economic Development Corporation (LEDC).

Proposed law renames Louisiana Economic Development (LED), appears to restrict legislative oversight, authorizes the creation of a nonprofit corporation to assist LED with infrastructure financing and development, appears to allow public employees to be leased to the private non-profit corporation, repeals certain LED positions, allows LED to enter into negotiated settlement agreements for LED incentives with approval of Revenue Secretary and Governor, allows LED to lease certain state lands for up to 50 years with only the Governor's approval, creates the LED Partnership Advisory Committee of 11 members, directs Treasury to invest LED federal funds in a separate portfolio with earnings retained by LED, exempts LED from centralized technology procurement and oversight with LED to promulgate its own technology procurement rules, adjusts annual distributions from the Marketing Fund, adjusts the LEDC Board criteria and term limits, and removes LSU Technology Transfer Office and its funding from the SBIR grant award process. Effective upon signature. Amdt #2480

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Agy. Self-Gen.	**$2,400**	**$2,400**	**$2,400**	**$2,400**	**$2,400**	**$12,000**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Agy. Self-Gen.	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Ded./Other	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	**SEE BELOW**	
Federal Funds	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	**INCREASE**	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

The bill makes widespread changes within the Dept. of Economic Development, appears to restrict legislative oversight, renames the agency as Louisiana Economic Development (LED), and exempts the agency from the state's centralized technology mandates. LED reports the ability to comply with the proposed measure utilizing existing resources and T.O positions. LFO cannot corroborate these expenses for reasons outlined below. It is assumed that an increase in resources, if needed, would require state general fund.

The bill allows the leasing of personnel to a private non-profit corporation with reimbursement to the state, either directly or through in-kind services. It is not clear how this transaction might occur budgetarily not only with services provided in exchange for labor but also in reference to retirement, group benefits, etc., as the bill appears to detail state workers to the private sector.

The bill repeals the positions of Undersecretary and Assistant Secretary as appointed officers of LED. LED has indicated it is currently seeking applicants for 3 similar executive level positions (Chief Business Development Officer, Chief Economic Competitiveness Officer, and Chief Innovation Officer) who would presumably fill responsibilities similar to the
CONTINUED ON PAGE 2

REVENUE EXPLANATION

Proposed law gives the Secretary of LED the ability to enter into negotiated settlement agreements for LED's statutory incentive programs. Such agreements must be approved by the Revenue Secretary and the Governor. LED indicates the intention of this authority is to forgive program-related missed deadlines under extenuating circumstances such as hurricanes or medical reasons. However, **the bill appears to authorize the LED Secretary along with the Revenue Secretary and Governor to broadly influence incentive programs and potentially impact state revenue, primarily SGF, even in subsequent administrations.**

The bill provides for the ability of LED to create a nonprofit corporation to assist the agency, allows the leasing of public personnel for reimbursement (either directly or through in-kind services) and sets forth criteria for the treatment of public records. Any debt the corporation issues is not to be considered an obligation of state or local public entities. To the extent employees from LED or any state agency are leased to the nonprofit corporation, SGR revenue is anticipated to increase, unless in-kind services are provided, though the process is uncertain. The bill also anticipates the nonprofit working to create, develop, construct, operate, manage and finance infrastructure projects in Louisiana. It is not clear how the funding and administration of this arrangement will occur, though the bill specifies that the nonprofit will report progress to the legislature annually. **It is not clear how current budgeting procedures will incorporate these types of transactions or the exposure to the state fisc from the authority granted in the bill.** **CONTINUED ON PAGE 2**

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}
☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Deborah Vivien
Chief Economist

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION (continued)

Undersecretary and Assistant Secretary, would presumably be authorized to receive additional salary from the state, and will presumably no longer require senate confirmation.

The bill creates an advisory committee, the LED Partnership. The 11 appointed members (9 Governor appointees, 1 each for President and Speaker) of the advisory committee are entitled to reimbursement of expenses according to federal travel expenses, which could increase LED expenditures depending on actual meeting practices. It is not clear whether travel for research, etc., are considered necessary and does not appear to be prohibited by the bill, making a cost estimate difficult to substantiate.

The bill provides an exemption for LED related to centralized state technology procurement and IT procurement rules, while requiring the agency create a transition plan with the Office of Technology Services (OTS) and promulgate its own rules regarding technology procurement procedures. Currently, LED transfers $500,000-$800,000 annually to OTS for these purposes. LFO cannot determine if LED will be able to procure and maintain the same services and cost efficiencies within these funding limitations or possibly could require more or fewer resources.

The bill removes LSU Technology Transfer Office (TTO) from the administration of Small Business Innovation Research and leaves LEDC as sole administrator along with up to $30,000 that is currently available to LSU TTO that will instead remain with LED.

LED reports no expenses from renaming the agency, which may be tempered by use of the LED moniker in recent years.

The bill eliminates the mandatory Marketing Fund allocations to Marketing Education Retail Alliance ($675,563), District 2 ($250,000), and LA Council for Economic Education ($74,437) and allows for award guidelines to be developed by the LED Secretary for regional or local economic development marketing.

The bill directs the State Treasurer to invest, in a separate portfolio, federal funds received by LED in accordance with federal guidelines. Net investment income is to be credited to LED to be used as program revenue for associated funding. The Treasury reports an estimated cost of $2,400 per year for staff to carry out the investments for LED as a separate portfolio. This cost was estimated by the Investments Division and calculated as a percentage of the estimated portfolio size. Investment income, less the Treasury costs of portfolio management, will be made available for LED to spend on the related program.

REVENUE EXPLANATION (continued)

The bill stipulates the receipt, investment, or expenditure of public funds will not affect the private status of the nonprofit corporation. However, no method for receiving public funds is set forth in the bill. It is unclear how the nonprofit corporation would receive any funds, other than potential state or federal program grants that may be applied for as a corporation.

The bill directs the State Treasurer to invest, in a separate portfolio, federal funds received by LED in accordance with federal guidelines. This is anticipated to increase the rate of returns (from less than 1% to 4-5%) on these funds until they are distributed for programmatic use. Based on the average historical balances ($25-$27 M) of federal monies held by LED, the Treasury estimates potential earnings of $1.4 M in FY 25, $1.3 M in FY 26, $1.1 M in FY 27, $1.1 M in FY 28, and $1.2 M in FY 29 by investing LED's federal funds in a separate portfolio. The Legislative Fiscal Office (LFO) cannot corroborate such investment income will materialize in these exact amounts, particularly as activity ramps up in the State Small Business Credit Initiative (SSBCI) program and funds are distributed. However, the individual investment portfolio of federal funds should provide higher rates of interest, increase the investment returns, and provide additional revenue for certain federally funded programs in LED under proposed law, which is the reason for the increase in the table.

The bill mandates the agency seek out federal, private, and any source of funding. To the extent the agency is able to secure additional funding, corresponding revenues may increase, though it is assumed that the agency already follows this mandate.

The bill allows the Secretary of LED to grant leases of immovable property under its supervision/management to a private company in connection with an economic development project in the state with the sole approval of the Governor. The initial lease must not exceed 30 years, with an option for two renewal periods (capped at 10 years each). It is unclear if LED currently has the authority to lease lands under its control. The bill does not state whether these revenues would be classified as SGR for LED or deposited into a Statutory Dedication. LED has indicated the funds will be classified as SGR.