

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 494** SLS 24RS 1478

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

|  |         |                             |
|--|---------|-----------------------------|
| <b>Date:</b> April 27, 2024                                  | 6:09 PM | <b>Author:</b> MIZELL       |
| <b>Dept./Agy.:</b> Department of Economic Development        |         | <b>Analyst:</b> Noah O'Dell |
| <b>Subject:</b> Changes in the Dept. of Economic Development |         |                             |

ECONOMIC DEVELOP DEPT EG DECREASE GF RV See Note  
Provides for the Department of Economic Development. (gov sig)

Current law establishes the Dept. of Economic Development and provides authorizations, obligations, and 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), transfers non-profit corporation authority from LEDC to LED with contractual signatore authority, repeals the Undersecretary and Assistant Secretary positions leaving only the Secretary and Deputy Secretary as LED appointed officers, allows the Secretary to enter into negotiated settlement agreements for LED's statutory incentive programs with approval of Revenue Secretary and Governor, creates the LED Partnership Advisory Committee of 11 members (9 Governor appointees, 1 each for President and Speaker), deposits year-end unobligated SGF into the LED Fund instead of reverting to SGF, directs Treasury to invest LED federal funds in a separate portfolio according to federal guidelines with earnings retained by LED, exempts LED from centralized technology procurement and Chief Investment Officer oversight with LED to promulgate its own technology procurement rules, adds flexibility to recipients awarded \$1 M annually 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.

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

**Annual Total**

| REVENUES       | 2024-25         | 2025-26         | 2026-27         | 2027-28         | 2028-29         | 5 -YEAR TOTAL |
|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|
| State Gen. Fd. | <b>DECREASE</b> | <b>DECREASE</b> | <b>DECREASE</b> | <b>DECREASE</b> | <b>DECREASE</b> |               |
| Agy. Self-Gen. | \$0             | \$0             | \$0             | \$0             | \$0             | <b>\$0</b>    |
| Ded./Other     | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> |               |
| Federal Funds  | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> | <b>INCREASE</b> |               |
| Local Funds    | \$0             | \$0             | \$0             | \$0             | \$0             | <b>\$0</b>    |

**Annual Total**

**EXPENDITURE EXPLANATION**

The bill makes widespread changes within the Dept. of Economic Development, 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 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 Undersecretary and Assistant Secretary, would presumably be authorized to receive additional salary from the state and will presumably no longer require senate confirmation. It is not clear what the salary schedules and related benefits are expected to be. LED reports no cost savings or T.O. requirements anticipated from this job classification adjustment. To the extent that LED can accommodate staffing adjustments within existing appropriations, there will be no impact.

**CONTINUED ON PAGE 2**

**REVENUE EXPLANATION**

Proposed law requires any unobligated SGF budget authority within LED at the end of the fiscal year be deposited into the LED Fund. Historically, LED reverted \$1.6 M in FY 21, \$1.7 M in FY 22, and \$2.8 M in FY 23 to the state general fund. In the bill, should LED budgeting patterns remain the same, SGF revenue would decrease by roughly \$2 M annually and such funds would instead be deposited into the LED Fund.

The bill 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 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.

**CONTINUED ON PAGE 2**

|  |                            |  |
|--|----------------------------|--|
| <u>Senate</u>  | <u>Dual Referral Rules</u> | <u>House</u>   |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H} |                            | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}         |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}      |                            | <input type="checkbox"/> 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)**

The bill provides for the ability of LED to create a nonprofit corporation to work alongside the agency and creates an advisory committee, the LED Partnership. The 11 Governor appointed members 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 the 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)**

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 Treasury anticipates 4% to 5% returns over the horizon, which are significantly higher than current returns (less than 1%). 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.

Senate      Dual Referral Rules

13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House

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}

  
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