



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 494** SLS 24RS 1478
 Bill Text Version: **RE-REENGROSSED**
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 23, 2024	12:35 PM	Author: MIZELL
Dept./Agy.: Department of Economic Development		Analyst: Noah O'Dell
Subject: Changes in the Dept. of Economic Development		

ECONOMIC DEVELOP DEPT RRF SEE FISC NOTE See Note Page 1 of 2
 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), repeals certain LED positions, allows LED Secretary to exercise discretion in reconsidering the incentive recipients disallowed for certain reasons, allows LED to lease any property under the control of LED for certain purposes with only Division of Administration (DOA) approval, creates the LED Partnership Advisory Committee of 11 appointed members, directs Treasury to invest LED federal funds in a separate portfolio with earnings retained by LED, exempts LED from centralized state and IT procurement rules with LED to promulgate its own rules (subject to approval of the DOA), 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.

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 and renames the agency as Louisiana Economic Development (LED). LED reports the ability to comply with the proposed measure utilizing existing resources and T.O positions. The Legislative Fiscal Office (LFO) cannot corroborate these expenses for reasons outlined on page 2. It is assumed that an increase in resources, if needed, would require state general fund.

The bill provides an exemption for LED related to centralized state procurement and IT procurement rules, while requiring the agency to create a transition plan with the Office of Technology Services (OTS) and promulgate its own rules regarding procurement procedures. Currently, LED transfers \$500,000-\$800,000 annually to OTS for technology purposes and \$50,000 to the Office of State Procurement. 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 fiscal impact of these changes will depend upon the rules promulgated in comparison to current state procurement mandates. Rule promulgation will follow the Administrative Procedure Act (APA) with oversight from the House and Senate Commerce Committees, House Appropriations and Senate Finance Committees, and the approval of the Commissioner of Administration.

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REVENUE EXPLANATION

Proposed law gives the Secretary of LED the ability to exercise discretion in determining disallowances related to missed deadlines or the failure to perform a requirement of an LED-administered incentive program due to the occurrence of an event beyond the control of a recipient. 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 to influence incentive programs and potentially impact state revenue, primarily SGF, even in subsequent administrations.**

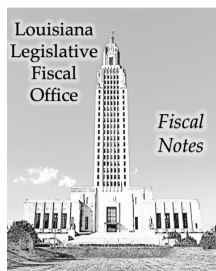
The bill allows the Secretary of LED, with the approval of the Commissioner of Administration, to enter into a cooperative endeavor agreement to lease any property under the control and supervision of LED to a private entity in connection with an economic development project in the state. Presumably, this could include property transferred to LED from other agencies of the state. There are no fair market value provisions. If lease payments are part of the agreement, 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.

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| <p><u>Senate</u></p> <p><input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}</p> <p><input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}</p> | <p><u>House</u></p> <p><input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}</p> <p><input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}</p> |
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Deborah Vivien
Chief Economist

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION (continued)

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.

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 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.

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.

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

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 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.

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.

Senate

Dual Referral Rules

House

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

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

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

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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