

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7926
BILL NUMBER: HB 2026

DATE PREPARED: Jan 18, 1999
BILL AMENDED:

SUBJECT: Economic development.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State and Local

Summary of Legislation: This bill requires the Department of State Revenue to provide an annual report to the General Assembly that describes the amount of uncollected revenues for certain development assistance tax credits and deductions.

Each county auditor must provide annually to the State Board of Tax Commissioners certain information concerning development assistance property tax deductions and credits claimed during the preceding year.

The Department of Commerce must adopt a standardized information form that must be completed by any person applying for development assistance under any program or fund operated by or administered by the State or a political subdivision.

An entity considering an application for development assistance must deny the application unless the applicant proposes to meet certain conditions concerning wages that will be paid to the applicant's employees. A recipient of development assistance must pay back a part of the development assistance if the recipient does not meet its wage and employment goals for a year. Development assistance is void and must be paid back if the recipient fails to meet the wage and employment goals for three consecutive years. Granting bodies that approve development assistance must prepare annual progress reports concerning recipients of development assistance.

Effective Date: July 1, 1999.

Explanation of State Expenditures: The Department of State Revenue must provide an annual report to the General Assembly that describes the amount of uncollected revenues for certain development assistance tax credits and deductions. The Department should be able to accomplish the above given its current budget.

The Department of Commerce must adopt a standardized information form that must be completed by any person applying for development assistance under any program or fund operated by or administered by the state or a political

subdivision. The bill also requires the Department to monitor not only grants that it provides but also grants provided by other state and local entities. The Department would also be required to prepare annual progress reports concerning recipients of development assistance. (The Budget Agency is recommending \$46 million in economic development funds for the 2000-2001 biennium.) The Department will need an additional PAT II in order to implement the above. Annual expenses for a PAT II, including fringe benefits, are estimated at \$41,000.

Each county auditor must provide annually to the State Board of Tax Commissioners certain information concerning development assistance property tax deductions and credits claimed during the preceding year. The Tax Board must compile and publish all data in the report in both written and electronic form. The Tax Board must also adopt a standardized disclosure form for use by county auditors. Administrative expenses for the Tax Board could increase.

The funds and resources required for the above could be supplied through a variety of sources, including the following: (1) Existing staff and resources not currently being used to capacity; (2) Existing staff and resources currently being used in another program; (3) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) Funds that, otherwise, would be reverted; or (5) New appropriations. The State Personnel Department manning table reports that as of December, 1998, the Office of the Lieutenant Governor had 14 vacancies and the Tax Board had three. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues: The Department of Commerce must deny an application for development assistance unless the applicant proposes to meet certain conditions concerning wages that will be paid to the applicant's employees. A recipient of development assistance must pay back a part of the development assistance if the recipient does not meet its wage and employment goals for a year. Development assistance is void and must be paid back if the recipient fails to meet the wage and employment goals for three consecutive years. This provision has the potential to discourage applicants which, in turn, could result in less demand for development assistance. Also, some recipients may be required to return the funding to the state entity providing the assistance.

Explanation of Local Expenditures: Each county auditor must provide annually to the State Board of Tax Commissioners certain information concerning development assistance property tax deductions and credits claimed during the preceding year. This provision could increase administrative expenses for the counties. The specific impact is indeterminable and would depend on county record-keeping systems currently in place. The overall impact is not expected to be great.

Explanation of Local Revenues: Local entities granting development assistance may receive all or portions of the assistance back if recipients do not comply with requirements.

State Agencies Affected: Department of Revenue, the State Board of Tax Commissioners, and the Department of Commerce.

Local Agencies Affected: Local agencies granting development assistance.

Information Sources: Leslie Richardson, Director, Division of Research, Department of Commerce (317) 232-8962.