

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2312 Amendment to: _____

Requested by Legislative Council Date of Request: 1-17-95

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative:

See attached

2. State fiscal effect in dollar amounts:

1993-95 <u>Biennium</u>		1995-97 <u>Biennium</u>	1997-99 <u>Biennium</u>	
<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>

Revenues:

Expenditures:

Elimination of ED & F Appropriation
Additional Cost to BND

1st scenerio	2nd scenerio
(9,721,575)	(9,721,575)
2,342,466	7,674,616
<u>7,379,109</u>	<u>2,046,959</u>

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1993-95 biennium: _____
- b. For the 1995-97 biennium: Additional Cost to BND ^{1st scenerio} \$2,342,466 or ^{2nd scenerio} \$7,674,616
- c. For the 1997-99 biennium: _____

4. County and City fiscal effect in dollar amounts:

1993-95 <u>Biennium</u>		1995-97 <u>Biennium</u>	1997-99 <u>Biennium</u>		
<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Signed *John Hoeven*
 Typed Name John Hoeven, President
 Department Bank of North Dakota
 Phone Number 701-328-5778

Date Prepared: February 6, 1995

1. Narrative - SB 2312 - Fiscal Note

The Bill eliminates funding for the Department of Economic Development and Finance, and assigns its existing programs to BND. Any net savings are transferred to the general fund and deemed available for funding education.

The ED & F budget submitted for 1995-1997 includes the following major line items:

ED & F Operations:		3,637,425
Grants		1,365,400
Special line items:		
Future Fund	2,718,750	
TTI	1,500,000	
General Growing ND allocation	<u>500,000</u>	
		<u>4,718,750</u>
		9,721,575

Senate Bill 2312 appears to eliminate new funding for the Future Fund, TTI, and the General Growing ND allocation. It is not clear if funding is also eliminated for grants. Much of the grants line item would need to be retained to continue the economic development functions outlined in Section 2. Items that would need to be retained which are included in this line item funding of \$1,365,400 are the following:

Small Business Development Centers	\$396,000	
Small Business Procurement Center	100,000	
One salaried position at each Regional Council	<u>456,000</u>	
		952,000

The operations line item would be reduced for the following reasons:

- 1) Without new funding for the Future Fund, TTI, and grants, the work load would be reduced.
- 2) Elimination of duplication between ED & F and BND in administering financial programs
- 3) BND would delegate local and regional technical and facilitation services to the Small Business Development Centers and the 8 regional councils.
- 4) BND would use the marketing funds budgeted (\$299,000) and the feasibility study funds budgeted (232,966) to hire private enterprise contractors and match fund the local development companies instead of maintaining staff to provide these services.
- 5) Eliminations of duplicate facilities (building, equipment, furniture and fixtures).

As a result, BND would need approximately 6 additional full time employees to handle the added work load. Those positions would include: Future Fund Manager, TTI Manager, Native American Liaison, Women's Program Liaison, Marketing Position, and

Staff Position. Other operating line items could be reduced proportionally to salary and benefit expense except for the following:

<u>Expense Item:</u>	<u>New Allocation</u>
Building rent	-0-
Postage and printing	50% of budget
Professional services and marketing	100% of budget

The net budget needed by BND to administer ED & F programs under this scenario would be:

Operations:		
Salaries and benefits	682,500	
Professional services	232,966	
Marketing	299,000	
All other line items	<u>176,000</u>	
		1,390,466
Grants:		
(SBAC, Procurement Center, Regional Councils)		<u>952,000</u>
		\$2,342,466

BND would not be able to provide all of the services currently provided by ED & F with this budget. Only those services specifically indicated in this fiscal note would be provided.

Comparative Analysis (1st scenario)

	<u>Current ED & F Budget</u>	<u>BND Budget</u>	<u>Difference</u>
Operations:	3,673,425	1,390,466	(2,246,959)
Grants:	1,365,400	952,000	(413,400)
Special line items:			
Future Fund	2,718,750		
TTI	1,500,000		
General	<u>500,000</u>		
	<u>4,718,750</u>	<u>-0-</u>	<u>(4,718,750)</u>
	9,721,575	2,342,466	(7,379,109)

Net funds available to fund education 7,379,109.

In the event the grants line item and the special line items are fully funded (Future Fund, TTI, etc.) the comparative analysis would be as indicated below. The salary line item has been increased \$200,000 in the BND budget for a total of eight full time employees. Whether or not they would be needed depends on the demand for services which BND would analyze during the biennium. Again, BND would contract for services with private enterprise versus trying to staff all functions.

Comparative Analysis (2nd scenario)

	<u>Current ED & F Budget</u>	<u>BND Budget</u>	<u>Difference</u>
Operations:	3,637,425	1,590,466	(2,046,959)
Grants:	1,365,400	1,365,400	-0-
Special line items:			
Future Fund	2,718,750		
TTI	1,500,000		
General	<u>500,000</u>		
	<u>4,718,750</u>	<u>4,718,750</u>	<u>-0-</u>
	9,721,575	7,674,616	(2,046,959)

Net funds available to fund education under this scenario are 2,046,959.