

JAN 22 1999

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2273 Amendment to:

Requested by Legislative Council Date of Request: 1-19-99

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

Narrative:

Section 1 - there is no impact to the state; however there would be a major impact to the future of the North Dakota development fund of an estimated \$2.2 million per biennium. (See attached narrative.)

Section 2 - there is no impact to the state; however there would be a major impact to the future of the North Dakota rural development revolving loan fund of \$2,700,000. (See attached narrative.)

- 2. State fiscal effect in dollar amounts:

Table with 7 columns: 1997-99 Biennium (General Fund, Special Funds), 1999-2001 Biennium (General Fund, Special Funds), 2001-03 Biennium (General Fund, Special Funds). Rows: Revenues, Expenditures. All cells contain 'N.A.'

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

- a. For rest of 1997-99 biennium: Need clarification on act.
b. For the 1999-2001 biennium: Need clarification on act.
c. For the 2001-03 biennium: Need clarification on act.

- 4. County, City, and School District fiscal effect in dollar amounts:

Table with 9 columns: 1997-99 Biennium (Counties, Cities, School Districts), 1999-2001 Biennium (Counties, Cities, School Districts), 2001-03 Biennium (Counties, Cities, School Districts).

Unknown for all of above.

If additional space is needed, attach a supplemental sheet.

Signed [Signature]

Typed Name Randy Schwartz

Department Economic Development & Finance

Phone Number 328-5314

Date Prepared: 1-21-99

## Additional Narrative to Fiscal Note

**Bill Resolution No: SB 2273**

### **Section One**

In order to estimate the financial impact, the act needs to clarify:

(1) the percentage of match provided by distributions by the development fund and that match provided locally to pay the salaries of development staff.

And

(2) any criteria that would be necessary for current and/or new local development organizations to qualify for a matching program.

And

(3) in order to assist in implementation, the act may need to clarify the role of the Governor.

As we understand Section 1, the Governor is provided the authority to delineate regions by executive order – pursuant to sections 54-40.1-02. Does this mean that the Governor is able to establish regions for the purpose of making matching grants to county-authorized or city-authorized development corporations contained within those established regions?

In implementation does this allow grants that 'reward' those city and county development corporations that determine it in their best interest to work together regionally - leveraging resources, and sharing staff?

Since successful private sector business investment know no political boundaries can 'economic development' regions targeting key private sector business investment be established without regard to the traditional planning region a city and/or county corporation is located in?

### **Background \***

Currently there are 33 city and/or county authorized development corporations that employ full or part time development staff. In addition there are an estimated 184 local development corporations that wholly rely on volunteers and/or (in some cases) are serviced through professionals employed by other local development corporations. In addition there are five tribal development organizations (which the Act does not address). We estimate that there may be another 200 local subdivisions (counties and communities) without an economic development organization.

We estimate that there are currently about 40 full time and part time developers employed by local development corporations. There are a few local development corporations that contract for services (i.e. Nelson, Pembina counties). This estimate does not include support staff for those corporations.

Compensations and benefits for development staff vary greatly along with the development corporation's expectations for these staff. We've estimated \$55,000 as an average compensation amount for a full time professional developer. This amount would provide for salary and benefits – but exclude expenses. (This amount would be non-competitive in many economic development organizations.) The developer would be charged (along with other staff and the volunteer board) with managing a sustainable economic development process and efforts resulting in successful private sector investment targeted to diversify and strengthen the local economy.

#### Impact Estimate Given Assumptions and Background Above

Given the background above and making the assumption that the act will provide for an estimated 50% of the total salaries of just those currently employed local development professionals the following annual cost has been determined.

40 Full Time Developers X \$55,000 (assuming all part time would become full time)	\$2,200,000 per year
	<u>          X .50</u>
	\$1,100,000 per year
	<u>          X 2 (biennium)</u>
	\$2,200,000 per biennium

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\* It should be noted that in many cases, successful and sustainable economic development will be reliant on local political subdivisions ability to work within a consortium that includes several city and county economic development organizations. Moreover it will not necessarily mean that more paid staff are available but cities and counties leverage what they have along with other resources and service providers. Finally the foundation for these efforts will be improving the quality and quantity of local leadership, volunteers, the capabilities of development boards and development professionals.

## Additional Narrative to Fiscal Note

**Bill Resolution No: SB 2273**

### **Section Two**

Since the original funding for the rural development revolving loan fund occurred in July 1, 1993, there is no immediate fiscal impact to the state general fund. The estimated rural loan fund balance is currently \$2,700,000. There is an additional \$2,200,000 in unfunded commitments.

The financial impact of the act affects the availability of funding in the rural development revolving loan fund. In order to clarify that impact the act needs to clarify:

- (1) how earnings from current loans of the regional rural development revolving loan fund will be treated. Will they be retained by the fund or transferred as received to the regional planning councils? How will direct expenses related to the rural development revolving loan fund be provided for?
- (2) the effective date of this Act.