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FISCAL IMPACT REPORT

SPONSOR: Heaton DATE TYPED: 02/21/03 HB 23/aH AFC
 SHORT TITLE: Cooperative Act Program Expenses SB _____
 ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to Appropriations in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Economic Development Department
 Attorney General

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment removes two of the three sections of the bill. The two deleted sections contained appropriations to EDD totaling \$1,900.0 (\$1,000.0 for cooperative advertising and \$900.0 for marketing). The remaining section of the bill establishes EDD's cooperative advertising program as a statutory function of the department and requires that travel and other costs be included as part of the program. As explained below, EDD currently manages the cooperative advertising program without any specific statutory guidance. EDD already considers travel and others costs as part of eligible cooperative advertising expenses.

Synopsis of Original Bill

House Bill 23 appropriates \$1,900.0 from the general fund to the Economic Development Department (EDD) for the purpose of increasing funding to EDD's cooperative advertising program and to EDD's marketing program. It also amends EDD's authorizing statute to include the cooperative advertising program as one of its functions and requires EDD to include travel and related costs as eligible costs under cooperative advertising.

Significant Issues

EDD's cooperative advertising program, which provides matching funds to non-profit organizations in the state to promote economic development, has existed for some time without any specific statutory authorization. EDD has used its policymaking authority to develop and administer the program. Last year, EDD revised the program guidelines to include travel and related costs as eligible expenses if they are part of expenses related to conferences and trade shows. The relevant page of last year's Request for Proposals is attached.

The Attorney General's office indicated some concerns about the constitutionality of the program with respect to funds that are provided to non-governmental non-profit organizations. It was unable to fully review the program, however, due to limited time. Because the department receives programmatic benefit from the funded proposals, and because the recipients enter into contractual service agreements with the department, it appears that the program does not violate provisions of the anti-donation clause.

FISCAL IMPLICATIONS

The appropriation of \$1,900.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

The General Appropriation Act GAA includes \$426.0 for EDD's marketing program. The GAA also includes \$100.0 for cooperative advertising.

ADMINISTRATIVE IMPLICATIONS

Cooperative Advertising: In FY03, EDD received a \$200.0 appropriation for cooperative advertising. HB 23 recommends a five-fold increase in funding for the program. It is unclear if there is sufficient demand from non-profit organizations for \$1,000.0 worth of funds, but EDD notes that there has been significantly more demand for co-op funding than money available. It is also unclear if EDD has the capacity to administer such an expanded program.

Marketing: In FY03, EDD expended \$240.8 on marketing. In FY02, it expended \$914.4. EDD notes that past uses of marketing funds have included advertising agency services, trade shows, promotional materials and some media purchases. EDD states that uses for FY04 marketing funds are not yet known.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates some appropriations in the General Appropriations Act. See "Fiscal Implications."

OTHER SUBSTANTIVE ISSUES

EDD notes that the cooperative advertising program is evaluated through regular reporting from recipient organizations. It also notes that the marketing program is measured via activity on EDD's website.

LP/yr:njw