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FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 2/22/03 HB 493

SHORT TITLE: Economic Development Corporation Act Money SB _____

ANALYST: Padilla

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$3,000.0			Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Companion to HB 494
 Duplicates some provisions of HB 589
 Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From
 Economic Development Department
 Department of Finance and Administration
 Attorney General

SUMMARY

Synopsis of Bill

House Bill 493 appropriates \$3,000.0 from the general fund to the Economic Development Department for the purpose of contracting with a new non-profit corporation to carry out activities related to economic development. The appropriation is contingent upon the enactment into law of the Economic Development Corporation Act.

The bill exempts the contract from the provisions of the Procurement Code.

Significant Issues

1. DFA notes that the Governor's initiative is for this appropriation to be available in fiscal year 2003. However, the bill does not contain an emergency clause that would allow spending in the current fiscal year.

2. The bill stipulates that the contract between EDD and the new corporation shall contain reporting requirements to ensure that the contract furthers the purposes of the Economic Development Corporation Act. EDD reports that the contract will be performance-based, with deliverables to include leads, prospects and signed deals in both rural and urban communities. EDD notes that performance of the corporation will be measured as follows:

- Increased leads generation
- Increased trade show leads
- Increase in direct inquires and exposures
- Increase in earned media
- Increase in web traffic

FISCAL IMPLICATIONS

The appropriation of \$3,000.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 04 shall revert to the general fund.

EDD's FY03 general fund budget is \$6,001.5.

ADMINISTRATIVE IMPLICATIONS

This will be a large contract for EDD to manage. EDD reports, however, that this bill will result in only a minimal increase in administrative functions for the department.

RELATIONSHIP

This bill is the companion to HB 494, "Economic Development Corporation Act," which establishes a new non-profit corporation to carry out activities related to economic development.

Another bill, HB 589, also enacts the Economic Development Corporation Act and it includes a \$3,000.0 appropriation from the general fund.

Either HB 494 or HB 589 would create the Economic Development Corporation.

This bill relates to the EDD appropriation in the General Appropriation Act. The LFC general fund recommendation for FY04 is \$5,820.7.

LP/njw