

FISCAL NOTE

HB 3744 - SB 3901

February 8, 2008

SUMMARY OF BILL: Increases the total amount of FastTrack grants or loans made to an eligible business within any three-year period, without requiring additional approval from the Funding Board, from \$750,000 to \$1,000,000.

ESTIMATED FISCAL IMPACT:

State Expenditures – Net Impact – Not Significant

Other Fiscal Impact – Any additional grant funding authorized to larger projects is expected to result in either a fewer number of smaller projects receiving grant funding or a similar number of smaller projects receiving grant funding of lesser amounts. Due to the law of diminishing returns, it is expected that a fewer number of jobs would be created statewide, and less economic development would occur, if smaller projects are negatively impacted by increasing the maximum limit. Thus, to maintain an equal level of economic development, and to create the same number of jobs statewide, that would have been accomplished under current law, additional funding would be required. Absent additional funding, economic development and the number of new jobs created throughout the state would likely be reduced.

Assumptions:

- According to the Department of Economic and Community Development (ECD), there were 14 projects funded at \$750,000 in FY06-07; three received grants above \$750,000 after receiving the necessary approval from the Funding Board.
- According to ECD, many of the projects funded at the \$750,000 level last year would have requested more if the maximum limit were higher.

- According to the Governor's FY08-09 Budget Document (B-357), the total amount recommended for the FastTrack Program for FY08-09 is \$41,223,900.
- It is likely that some projects would request the additional \$250,000, or some portion thereof, if the limit was increased. If such additional grant funding were awarded to one or a specific number of projects, it would come at the expense of other smaller projects. In other words, a fewer number of smaller projects could be funded or a similar number of projects could be funded at lesser amounts.
- According to ECD, it is likely that the additional funding authorized to any one project would result in a net decrease in the number of jobs created by all projects statewide. These larger projects may create some additional positions as a result of the additional funding. But, it is expected that a higher number of jobs would have been created if the additional funding had been available to other smaller projects. Thus, to maintain the same level of economic development and job creation that is expected under current law, additional funding would be required. Absent additional funding, it is the department's position that the level of economic development and the number of jobs that will be created will decrease as a result of a higher established limit.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc