FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Woods/Stefanics	**ORIGINAL DATE**	2/1/2025
SHORT TITLE	New Qualifying Entities in LEDA	**BILL NUMBER**	Senate Bill 181
		ANALYST	Fischer

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	0	**$100.0**	**$100.0**	**$200.0**	Recurring	**General Fund**
Total	0	**$100.0**	**$100.0**	**$200.0**	Recurring	**General Fund**

Parentheses ( ) indicate expenditure decreases.
*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From
Economic Development Department (EDD)

SUMMARY

Synopsis of Senate Bill 181

Senate Bill 181 (SB181) amends the Local Economic Development Act (LEDA) to expand the definition of qualifying entities eligible for economic development support to include dental clinics, independent medical practices, and veterinary facilities. It will not include hospitals and hospital-controlled facilities. SB181 alters the types of businesses eligible for public support and broadens the scope of economic development initiatives. The bill maintains provisions for public support, such as grants, loans, and infrastructure improvements to assist qualifying entities.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

Regardless of the expanded scope, the LFC's recommended budget proposal does not include additional funding for LEDA. As of June 2024, the LEDA fund had a balance of $62.2 million, 27 percent less than the previous year.

SIGNIFICANT ISSUES

The Economic Development Department noted that the expanded definitions in SB181 would move investments away from economic-base businesses. According to the department, the intent of LEDA is to support economic-base companies that export at least 50 percent of their product or services to a client base outside of the state, thereby infusing the economy with new money rather than recycling money that already exists within the economy, such as with retail industry. Healthcare is not considered an economic-base industry. Supporting economic-base industry results in capital investment, sales from a client base outside the state, and new jobs, which all contribute to the tax base. This increased economic activity then fuels growth in the other non-economic base sectors, such as retail, hospitality, and healthcare.

The Economic Development Department noted that SB181 would require additional resources for it to review, process, and track a wider range of economic development projects. This increase in workload may lead to higher personnel costs for managing new project approvals and compliance reporting, though the department did not specify a particular amount. This FIR estimates the amount to be $100 thousand annually. The total financial impact on state and local governments will depend on how many new projects seek support and the scale of financial assistance required. As more entities become eligible for public support, the fund may face higher utilization, requiring quicker replenishment or additional appropriations to sustain the program.

MF/rl/SR