

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
FISCAL IMPACT STATEMENT**

LS 7310
BILL NUMBER: SB 516

NOTE PREPARED: Jan 16, 2025
BILL AMENDED:

SUBJECT: Economic Development and Small Business Innovation.

FIRST AUTHOR: Sen. Buchanan
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Office of Small Business and Innovation:* The bill establishes the Office of Small Business and Innovation.

The bill requires the Office of Small Business and Innovation to:

- (1) develop and administer programs to support the growth of small business, entrepreneurship, and innovation in Indiana;
- (2) direct and oversee programs and sources of funding related to the growth of small business, entrepreneurship, technology, and innovation in Indiana;
- (3) work to strengthen policies and programs supporting the growth of entrepreneurship in Indiana;
- (4) operate the Indiana Economic Development Corporation (IEDC)'s Connect IND interactive portal as a hub for entrepreneurs to access federal, state, and local resources;
- (5) promote Indiana's small business and entrepreneurial support resources by creating toolkits and other digital assets to assist entrepreneurs and small businesses in the navigation of the resources;
- (6) coordinate with state agencies and other state funded entities to align services and programs related to entrepreneurship and starting and scaling a business;
- (7) work with funded entities on identifying strategies and metrics around the disbursement of funds to measure funds reaching rural communities and other underrepresented socioeconomic communities;
- (8) work with stakeholders and organizations supporting entrepreneurship to enhance learning and skills, provide technical support, and expand access to resources for entrepreneurs across Indiana; and
- (9) develop and administer programs to support and encourage youth entrepreneurship, including supporting students and teachers in fostering entrepreneurial skills.

The bill also requires the Office of Small Business and Innovation to submit to the Governor, the Secretary of Commerce, and the General Assembly an annual state of entrepreneurship report.

Appointment: The bill provides for appointment to the board of the IEDC of two nonvoting, advisory

members who are members of the General Assembly.

Land Purchase Notice: The bill requires the IEDC, before purchasing land in a county that exceeds 100 acres, to first give notice to the county or municipality, or both, in which the land is located not later than 30 days before the closing date for the purchase.

Report: The bill requires the IEDC to include in its annual Economic Incentives and Compliance Report a determination of the total aggregate amount of incentives granted by the IEDC in the previous two years compared to the total number of new jobs created by the recipients of the incentives during that two year period.

Property Tax: The bill provides that a school corporation that receives a transfer of incremental property tax revenue from a local innovation development district (IDD) fund may use those funds with no restrictions or specified uses.

Effective Date: July 1, 2025.

Explanation of State Expenditures: *Office of Small Business and Innovation:* Establishing the Office of Small Business and Innovation is estimated to increase General Fund expenditures by approximately \$1.8 M for staff salaries and fringe benefits in FY 2026, with these costs estimated to increase to \$1.9 M in FY 2027. The bill does not appropriate funds for the programs the agency will manage, and it is assumed the reporting requirement in the bill would be accomplished within the estimated annual agency expenditures for personnel.

Estimated costs can be reduced to the extent the Office of Small Business and Innovation works in conjunction with the IEDC to utilize vacant staff positions or unexpended appropriations. [The IEDC currently manages the programs the Office of Small Business and Innovation would oversee.]

Appointment: The bill adds two members of the General Assembly to the IEDC board, appointed by the Speaker of the House of Representatives and President Pro Tempore of the Senate. The legislative members of the board would receive a salary per diem and reimbursement for travel expenses, which would be paid from the appropriation made to the Legislative Council or the Legislative Services Agency.

Land Purchase Notice: The bill requires the IEDC, before purchasing land in a county that exceeds 100 acres, to first give written notice to the county or municipality, or both, in which the land is located not later than 30 days before the closing date for the purchase. The requirement of written notice can be implemented within existing resource levels.

Report: The bill requires the IEDC to determine the total incentives granted and total new jobs created during the previous two years in its annual Economic Incentives and Compliance Report. This requirement is expected to be accomplished within the IEDC's existing resources.

Additional Information - The State of Illinois currently maintains an Office of Entrepreneurship and Innovation. Over the past five fiscal years, the Office has averaged annual expenditures of \$28.4 M per year and maintained an average of approximately 23 full time equivalent positions. These annual costs include salary and benefits as well as expenditures on developing and administering programs to promote small businesses, innovation, and entrepreneurship in the state of Illinois.

Assuming the difference between Illinois' General Fund expenditures compared to Indiana, establishing an Indiana Office of Small Business and Innovation is expected to require 10 full time equivalent positions. As of December 2024, the IEDC maintained six vacant positions (that were not for interns), valued at approximately \$882,000 in annual salary. Using the salary for these positions as a baseline, annual personnel costs (salary and fringe benefits) for these 10 positions are estimated to be \$1.8 M in FY 2026 and \$1.9 M in FY 2027.

The bill does not contain an appropriation for programs the Indiana Office of Small Business and Innovation will manage.

Explanation of State Revenues:

Explanation of Local Expenditures: *Property Tax:* Current law requires incremental taxes that are distributed from the innovation fund to taxing units in an IDD to be deposited into the units' general funds. This provision permits school corporations to spend their share of this revenue without restriction or specification.

Explanation of Local Revenues:

State Agencies Affected: IEDC, General Assembly.

Local Agencies Affected: Local taxing units.

Information Sources: Illinois Comptroller Database; December 2024 Staffing Report; FY 2024 Reversion Data.

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