



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0349 - Establish economic/diplomatic relations with republic of Korea (Bogner, Kenneth)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$310,435	\$307,215	\$311,823	\$316,500
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$310,435)</u>	<u>(\$307,215)</u>	<u>(\$311,823)</u>	<u>(\$316,500)</u>

Description of fiscal impact: SB 349 requires the Department of Commerce to establish a trade office in the Republic of Korea. The fiscal impact to the department is estimated to be \$310,435 in FY 2024, \$307,215 in FY 2025, \$311,823 in FY 2026, and \$316,500 in FY 2027.

FISCAL ANALYSIS

Assumptions:**Department of Commerce (DOC)**

1. It is assumed the department would enter a contract to operate a trade office in Seoul, as the capital and economic center of the Republic of Korea, in a manner similar to how it currently operates a trade office in Taipei, Taiwan.
2. The department would pay for rent of a physical office, utilities, supplies, travel, and other expenses related to operations of the office.
3. Based upon exchange rates, the trade office in Taipei costs the state approximately \$177,000 a year.
4. The office rent in Taipei is currently subsidized at 60% which amounts to \$28,800.
5. The total unsubsidized cost of the Taipei office is \$205,800 (\$177,000 + \$28,800).
6. According to <https://livingcost.org/cost/seoul/taipei>, cost of living in Seoul is 130% higher than in Taipei.

7. The approximate cost to operate a trade office in Seoul, equivalent to the trade office in Taipei, would be \$267,540 (\$205,800 *130%).
8. To provide training, oversight and follow-up, an additional 0.25 FTE would be needed along with associated licensing and operating costs.

Department of Agriculture

9. It is assumed that the office required by SB 349 would be established by the Department of Commerce (see technical note).
10. The Department of Agriculture may collaborate with the staff of the DOC office but would not be directly involved in the operation or funding of the office.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.25	0.25	0.25	0.25
<u>Expenditures:</u>				
Personal Services	\$21,273	\$21,343	\$21,663	\$21,988
Operating Expenses	\$289,162	\$285,872	\$290,160	\$294,512
TOTAL Expenditures	<u>\$310,435</u>	<u>\$307,215</u>	<u>\$311,823</u>	<u>\$316,500</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$310,435	\$307,215	\$311,823	\$316,500
TOTAL Funding of Exp.	<u>\$310,435</u>	<u>\$307,215</u>	<u>\$311,823</u>	<u>\$316,500</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$310,435)	(\$307,215)	(\$311,823)	(\$316,500)

Technical Notes:

1. The bill title states that the Department of Commerce is to establish a trade office in Korea. However, the statute amended in the bill is within the Agriculture Development Council, Department of Agriculture marketing activities statute. Clarity should be provided which department is to open the required office.

NO SPONSOR SIGNATURE

<hr/> Sponsor's Initials	2/22/23 <hr/> Date	 <hr/> Budget Director's Initials	2-21-23 <hr/> Date
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