

## Department of Planning and Budget 2007 Fiscal Impact Statement

**1. Bill Number** HB2417

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

**2. Patron** Kilgore

**3. Committee** Passed Both Houses

**4. Title** Enterprise zone real property investment grants.

**5. Summary/Purpose:** Enterprise zone real property investment grants. Decreases from 30 to 20 the percentage of a real property investment for which real property investment grants may be awarded.

**6. No Fiscal Impact.** See item 8, below.

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** The proposed legislation would revise the investment thresholds for real property investment grants. Specifically, it would reduce from 30 percent to 20 percent the percentage of qualified real property investments on which the lower grant cap of \$125,000 is based. The legislation would also increase the amount of investment required to receive the maximum grant award of \$250,000 for the upper tier from \$2 million to \$5 million.

In addition, the bill eliminates language allowing small qualified zone residents whose real property investments were placed in service in calendar year 2004 but who were not eligible to submit a tax credit request prior to the expiration of the previous statute because of the timing of their tax year to apply for a real property investment grant in 2006. This language is no longer necessary.

For FY06, requests for the Enterprise Zone Program grants exceeded the \$13.5 million budgeted for these grants by approximately \$8.8 million and as a result, all grant requests were pro-rated at 61 cents on the dollar. This pro-ration affected 286 applicants. To help address this funding gap and monitor the grants, the introduced budget bill, as adopted by the 2007 General Assembly, includes a budget amendment for \$4 million and one position (\$2 million in each year).

The legislative changes proposed in this bill will not apply to grants approved by the Department of Housing and Community Development prior to the beginning of FY08. These changes are independent of the proposed budget amendment and will help address the excess demand for grants and future shortfalls.

There is no budget impact associated with the proposed legislation. It will impact the allocation of the real property investment grants.

**9. Specific agency or political subdivisions affected:** Department of Housing and Community Development.

**10. Technical amendment necessary:** No.

**11. Other comments:** SB 1057 is the companion bill.

**Date:** 02/26/07/tmw

**Document:** G:\2007 Session\Fiscal Impact Statements\HB2417ER.Doc

cc: Secretary of Commerce and Trade