

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB645

House of Origin	<u> X </u>	Introduced	<u> </u>	Substitute	<u> </u>	Engrossed
Second House	<u> </u>	In Committee	<u> </u>	Substitute	<u> </u>	Enrolled

2. Patron: Armstrong

3. Committee: Appropriations

4. Title: Enterprise zone job creation grants.

5. Summary: Provides that a business firm is eligible for an enterprise zone job creation grant of \$500 per year for up to five years for each grant eligible position that during such year is 150 percent of the federal minimum wage, if the locality where the business firm is located has an unemployment rate of two percent or higher than the statewide average. The bill also removes the statutory requirement that such positions be provided with health benefits.

6. Fiscal impact estimates are indeterminate. See item 8, below.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The bill will allow a new and indeterminate universe of Job Creation Grant applicants. Those firms located in an area where the unemployment rate is two percent higher than the statewide average and with jobs paying at least 150 percent of the federal minimum wage but less than 175 percent of the federal minimum wage will now be eligible for the program. The current statutory threshold is 175 percent of the federal minimum wage.

It is anticipated that the bill will result in an increase in demand for the program. Any additional demand is indeterminate as the Department of Housing and Community Development (DHCD), which is responsible for administering the Enterprise Zone Grant Program, does not have data on the positions paying less than the current statutory threshold for qualifying for the grant. For the last four years, the Department of Housing and Community Development has prorated incentives provided under the Enterprise Zone Grant Program. Most recently, all grants were prorated at a rate of \$0.46 per dollar.

There would be some administrative costs to the agency, such as regulation development and the reprogramming of databases. However, any impact is expected to be minimal and could be absorbed within existing resources.

9. Specific Agency or Political Subdivisions Affected: Department of Housing and Community Development.

10. Technical Amendment Necessary: No.

11. Other Comments: General fund support for the program is reduced in HB30/SB30, the introduced budget bill for the 2010-2012 biennium, by \$1 million in each year. The introduced budget bill includes \$12.15 million, from the general fund, in each year for the Enterprise Zone Grant Program.

HB555, HB658, and HB1299, also propose changes to the Enterprise Zone Grant Program. HB555 changes the eligibility for enterprise zone job grants in areas with a higher than average unemployment rate, and directs DHCD to give priority to payment of job creation grants under the Enterprise Zone Grant Program. HB658 and HB1299 lower the threshold for qualified real property investments under the Enterprise Zone Grant Program.

Date: 2/3/2010 tmw

Document: G:\2010 Session\Legislation\HB645.Doc