

Department of Planning and Budget 2010 Fiscal Impact Statement

1. Bill Number: HB658

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Armstrong

3. Committee: Appropriations

4. Title: **Enterprise Zone Grant Program; threshold for real property investment grants.**

5. Summary: Lowers the threshold for qualified real property investments under the Enterprise Zone Grant Program for distressed localities from \$100,000 to \$50,000 for the rehabilitation or expansion of a single building or facility and from \$500,000 to \$250,000 for new construction of a single building or facility. Under the bill, distressed locality is defined as any locality with an annual average unemployment rate that is one and one half times or more the state average unemployment rate.

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

7. Budget Amendment Necessary: No.

8. Fiscal Implications: The bill lowers the threshold for qualified real property investments for distressed localities. It is anticipated that the bill will result in an increase in demand for the program. DHCD, which is responsible for administering the Enterprise Zone Grant Program, has historical data for firms with investments at the lower thresholds proposed by the bill. Using 2008 data, eight applicants would have been affected by the proposed legislation, at an additional cost of approximately \$101,700 to the program. This reflects the incremental cost of lowering the threshold. The actual annual impact would vary from year to year depending on the localities that meet the criteria and the number of applicants from those localities. Historically, the majority of applications for real property investment grants are from urban areas; the greatest program demand is associated with the real property investment grants. For the last four years, DHCD 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 and HB645 change the eligibility for enterprise zone job grants in areas with a higher than average unemployment rate; HB555 also directs DHCD to give priority to payment of job creation grants under the Enterprise Zone Grant Program. HB1299 lowers the threshold for qualified real property investments under the Enterprise Zone Grant Program.

Date: 2/2/2010 tmw

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