Department of Planning and Budget
2012 Fiscal Impact Statement

1. **Bill Number:** HB169

House of Origin	☒	Introduced	☐	Substitute	☐	Engrossed
Second House	☐	In Committee	☐	Substitute	☐	Enrolled

2. **Patron:** Cosgrove

3. **Committee:** Appropriations

4. **Title:** Enterprise zones; criteria for designation.

5. **Summary:** Modifies the criteria for designation as an enterprise zone. Provides that an area for which state enterprise zone designation is sought would be required to meet one of the following: (i) have 25 percent or more of the population with incomes below 80 percent of the median income of the jurisdiction; (ii) have an unemployment rate 1.5 times the state average; or (iii) have a demonstrated floor area vacancy rate of industrial and/or commercial properties of 20 percent or more.

   The criteria would replace the current criteria that considers locality-wide need as demonstrated by: (i) the average unemployment rate for the locality over the most recent three-year period; (ii) the average median adjusted gross income for the locality over the most recent three-year period; and (iii) the average percentage of public school students within the locality receiving free or reduced price lunches over the most recent three-year period.

6. **Budget Amendment Necessary**: No.

7. **Fiscal Impact Estimates:** Preliminary. See item 8, below.

8. **Fiscal Implications:** Any fiscal impact the bill may have is indeterminate. Funding available for grants is subject to appropriation. HB30/SB30, as introduced, includes $14.2 million, from the general fund, in each year of the 2012-2014 biennium for grant payments under the Enterprise Zone Grant Act. Also, language in HB30/SB30, as introduced, provides for the proration of payments under the program in the event the annual fiscal funding is insufficient to address program demands.

   The Department of Housing and Community Development (DHCD) administers the state's enterprise zone program, and HB30/SB30, as introduced, includes a general fund appropriation of $273,354 in each fiscal year of the 2012-2014 biennium for program administration. Any fiscal impact the bill may have on the department would result from necessary revisions to key program documents and technical assistance to localities to reflect the new eligibility criteria in a timely manner; however, this could be accomplished within existing program resources.

According to DHCD, rapid revisions would be necessary because the expiration of an existing zone in 2012 will create an opportunity for the designation of one new zone at the end of the year. Over the next five years, several additional zones may be available for designation or re-designation. Localities interested in applying for a new designation or re-designation are currently working with DHCD on the content of their applications. DHCD would need to assure that potentially eligible localities are aware of any changes in criteria and provide technical assistance on how the new program requirements could be satisfied.

Also, the impact the proposed changes may have on program demand is indeterminate. The 2005 General Assembly passed the Enterprise Zone Grant Act, which provides for Job Creation Grants and Real Property Investment Grants (RPIG). The inclusion of the floor area vacancy rate of industrial and/or commercial properties as a criterion for designation may increase the number of applications for RPIGs. RPIGs are available for investments made to commercial, industrial, or mixed-use buildings. RPIGS were 78 percent of the total 2010 grant program requests; these grants were paid in FY 2011. The 2010 grants were the first year since the implementation of the grant program in which there was no proration of payments to grantees.

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

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** None.

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