Department of Planning and Budget
2015 Fiscal Impact Statement

1. **Bill Number:** HB1740

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

2. **Patron:** Hodges

3. **Committee:** Appropriations

4. **Title:** Enterprise Zone Grant Program.

5. **Summary:** This bill changes the Enterprise Zone Grant Program by (i) limiting enterprise zones in each county and city to an aggregate of 10 square miles; (ii) allowing the Department of Housing and Community Development (DHCD) to add a contiguous locality to an existing joint enterprise zone consisting of four or more localities, provided that all localities have submitted resolutions supporting the new joint enterprise zone and applications for redesignation of the enterprise zone; and (iii) providing that if appropriations are insufficient to pay all persons making real property investments in an enterprise zone, then the initial allocation to each county and city for the payment of all qualified investors will not exceed $1 million. Currently, the department may add an area of a locality to an existing joint enterprise zone consisting of two localities if the area added is contiguous to the existing zone and includes a revenue-sharing district that has experienced the loss of 900 permanent full-time positions in a 12-month period. If allocations are insufficient to pay all qualified zone investors in full, grants are currently allocated among all investors in a proportional manner regardless of the county or city of location.

6. **Budget Amendment Necessary**: Yes to Item 105 of HB1400/SB800.

7. **Fiscal Impact Estimates:** Preliminary, see item 8.

7a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2015	N/A	N/A	N/A
2016	$33,500	N/A	General Fund
2017	$18,500	N/A	General Fund
2018	N/A	N/A	N/A
2018	N/A	N/A	N/A
2020	N/A	N/A	N/A
2021	N/A	N/A	N/A

7b. Revenue Impact: None.

8. **Fiscal Implications:** According to DHCD, this bill will allow a locality to use the enterprise zone redesignation provisions absent significant economic distress. The bill revises current law to allow only joint zones with four or more localities to be redesignated to include an

additional locality on the basis on contiguity. While it appears that this would only affect two joint enterprise zones, DHCD believes the changes in the bill may impact demand for program incentives. Communities that may have not been selected competitively or decide they do not want to compete for a designation could potentially use the new redesignation process. This revision will limit the impact of the intent of the cap on the number of zones allowed. The bill adds no additional zones; however, when an additional locality is added to a joint zone, more acreage would lie within designated zones, thereby increasing the demand for program incentives.

The bill also requires that DHCD shall allocate no more than $1.0 million in aggregate in Real Property Investment Grants (RPIG) to each county and city for the payment of all qualified zone investors in the county or city, with the department prorating the grants in a proportional manner to qualified zone investors in each county and city. If funds remain after such allocation, the remaining grant funds shall be distributed by DHCD in a proportional manner to all qualified zone investors, regardless of location, based on the total grant amount each investor was otherwise eligible to receive. DHCD believes that this provision will require the locality to decide which businesses should receive preference to be included in the $1.0 million cap. This change will impact DHCD's technical assistance and training to businesses as answers to questions about the RPIG would have to be tailored to the situation/process of grant allocation for 70 localities.

The change will also impact DHCD's administration of the program. RPIG applications could not all be submitted at one time, as is the current practice. Without this change, the applicants would incur the cost of certified public accountant (CPA) attestation with no assurance that funds would be available once applications submitted under the $1.0 million cap from all localities have been allocated, making the incentive application more complex. This change may lead to a first-come, first served allocation process with priority towards projects that are placed in service early in a calendar year. DHCD has stated that to address the changes in the application process and to assist with additional technical assistance, the agency will need to hire an hourly wage employee for at least 12 months in FY 2016 to assist with the changes and at least 7 months in FY 2017. The agency estimates that the cost associated with the part-time position will be $33,500 in FY 2016 and $18,500 in FY 2017 including support costs.

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

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

11. **Other Comments:** None.