

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** HB1966

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

**2. Patron:** James

**3. Committee:** General Laws

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

**5. Summary:** Permits a locality to apply for enterprise zone status based on distress factors in the area of the proposed enterprise zone, rather than in the entire locality. Currently, the process evaluates competing applications on the basis of three locality-wide indicators of economic stress. These are the three-year averages for unemployment, median adjusted gross income and the percentage of students receiving free or reduced price lunches. The bill proposes using the same categories of economic distress, but the bill limits their geographic coverage to the proposed zone area or, in accordance with the bill's final paragraph, the census tract(s) approximating the proposed zone.

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

**7. Fiscal Impact Estimates are preliminary.** See item 8, below.

**8. Fiscal Implications:** The Department of Housing and Community (DHCD) reviews each application for enterprise zone designation and recommends those with the greatest potential of accomplishing the program's goals to the Governor. The more complex evaluation required by the availability of two alternative criteria would require DHCD to adjust program regulations, guidance documents, on-line materials and make other changes in order to accommodate applicants. The department may incur additional costs in modifying the program's regulations and materials; however, it is anticipated that any such costs could be absorbed within existing resources.

The number of applicants for enterprise zone designation may increase as a result of provisions in the bill. The availability of alternative criteria might encourage counties, cities and towns that have been less competitive, because of their relative affluence or low levels of locality-wide economic distress, to compete for zone designation on the basis of small areas of relative economic need. However, because the bill does not modify the number of zones or the amount of funding to be provided in support of economic development initiatives (job creation grants and real property improvement grants) within the proposed zones, the bill would not impact the allocation of state funds provided for grants under the program.

Locality-wide data is regularly available for the three categories of distress indicators. However, this same data is not as readily available on an annual basis for smaller areas such as census tracts. Locality applicants that elect to apply under the alternative criteria may incur costs in gathering the smaller area data. Any such costs are indeterminate.

- 9. Specific Agency or Political Subdivisions Affected:** Departments of Housing and Community Development and Education, the Virginia Employment Commission, and localities.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** SB1295 is the companion to this bill

**Date:** 1/22/13

**Document:** G:/tmw/2013 Session/Legislation/HB1966.docx