



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 385

PRINTERS NO. 2081

PRIME SPONSOR: Pileggi

COST / (SAVINGS)

FUND	FY 2016/17	FY 2017/18
General Fund	Up to \$700,000	Up to \$700,000
TRID Fund	\$0	\$0
Political Subdivision Funds	\$0	\$0

SUMMARY: Amends the Transit Revitalization Investment District (TRID) Act to clarify and update existing language and provides for the establishment of a TRID Fund for the purpose of providing grants to two TRIDs. This legislation would take effect in 90 days.

ANALYSIS: This legislation makes several changes to the TRID Act (Act 238 of 2004) to modernize the law and to provide additional assistance from the Commonwealth.

This legislation eliminates the minimum radius of one-eighth mile and increases the maximum radius to three-fourth mile from a railroad, transit, light rail, busway or similar transit stop or station, measured from the centerline of the track or roadway traversing the station or stop location. The TRID and its boundaries are to be established by ordinance. In a city of the third class situated within a county of the second class A, the designation and the boundaries of the TRID are to be made exclusively by the governing body of the county.

An agreement between the municipality or municipalities and the public transportation agency must include the administrative and management roles of each party. The legislation requires the participating municipality or county and the public transportation agency to designate the management entity in the TRID agreement to administer, manage and facilitate the implementation of the TRID planning study. The legislation also eliminates the \$75,000 cap on grants for a TRID planning study.

The legislation stipulates circumstances in which a TRID or TRID planning study may be amended. The following apply:

- The boundaries of a TRID may be expanded or reduced by an amendment to the ordinance establishing the TRID and shall be accompanied by justification for the boundary change supported by findings in the original or amended TRID planning study.
- A TRID planning study may be amended by approval of the municipality, municipalities or counties and the transit agency that are parties to the TRID designation.

This legislation also makes changes and updates to the value capture provisions. Local taxing bodies approve the portion of revenues to be dedicated to support TRID implementation and which are dedicated for general government purposes. The language prohibits public transportation agencies from using the revenues for transit capital investment outside of a designated TRID, except if the investment is necessary and integral to achieve an approved TRID implementation objective. The incremental tax revenue generated by a TRID property may be directed for use in TRID projects or eligible projects of up to 20 years from the date a property is designated as a parcel. Project costs and financing shall be similar to the provisions found in the Tax Increment Financing Act.

The legislation establishes a new Chapter 8 relating to grant of TRID revenue. Under this Chapter, a special fund, to be known as the TRID Fund, is established in the State Treasury. A management entity may apply to DCED for the purpose of funding an eligible project or for covering debt service payments related to debt incurred to fund an eligible project. Within 6 months of the effective date, DCED, in consultation with the Office of the Budget, is required to approve two applications. DCED is required to develop a schedule for the approval of applications. If an application is disapproved, the application and plan may be revised and resubmitted. Chapter 8 grants the management entity the power to borrow money for the purpose of executing a TRID or TRID planning study for which a grant application has been approved. No member of the management entity may receive money from the TRID Fund.

This legislation requires that the amount transferred from the TRID Fund used for construction, reconstruction or renovation of facilities must be matched by other sources of funding at a ratio of two fund dollars to one private dollar. By April 1 of the following year, and each year thereafter, the management entity must file an annual report with DCED and the Office of Budget that contains a detailed account of the TRID Fund expenditures and the expenditures of fund from other sources and the calculation of the 2-to-1 ratio for the prior calendar year. Once the requirements, including the match requirement, are met, DCED will issue a grant in the amount not to exceed \$350,000 annually. On June 1, 2016, and on each June 1 for the next 20 years, \$700,000 from the tax imposed by Article II of Tax Reform Code of 1971 will be transferred to the TRID Fund for payment to the first two TRIDS approved. Additional grants may be provided by DCED.

The grant money may only be utilized for the following:

- Payment of debt service on bonds issued for the construction, including related to infrastructure and site preparation, reconstruction or renovation of a facility in the TRID.
- Construction, including related infrastructure and site preparation, reconstruction or renovation of all or a part of a facility.
- Replenishment of amounts in debt service reserve funds established to pay debt service on bonds.
- Improvement or development of all or part of a TRID.
- Improvement projects, including fixtures and equipment for a facility owned by a public authority.

Under Chapter 8, the TRID Fund shall expire on December 31, 2035. Upon expiration, money in the fund not encumbered will lapse to the General Fund.

The Commonwealth pledges to and agrees with any person, firm, corporation or government agency, in this Commonwealth or elsewhere and pledges to and agrees with any Federal agency subscribing to or acquiring the bonds of the management entity that the Commonwealth will not, nor will it authorize any government entity to, do any of the following:

- Abolish or reduce the size of the TRID.
- Limit or alter the rights vested in the management entity in a manner inconsistent with the obligations of the management entity with respect to the bonds issued by the management entity.
- Impair revenue to be paid under this chapter to the management entity necessary to pay debt service on bonds.

The Commonwealth will maintain the authority to change the rate, base or subject of a specific tax or to repeal or enact any tax.

DCED and the Office of the Budget shall develop and publish guidelines necessary to implement this chapter.

FISCAL IMPACT: This legislation would result in a General Fund revenue loss of up to \$700,000 in fiscal year 2016-17 and in fiscal years thereafter with the transfer of sales and use tax from the General Fund to the TRID Fund on June 1st of each year. From those transfers to the TRID Fund, DCED shall approve grants not to exceed \$350,000 per TRID each year. Any remaining money in the TRID Fund shall be transferred back to the General Fund one year after the initial transfer.

The legislation would have no adverse fiscal impact on political subdivision funds.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: October 26, 2016

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.