



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1550

PRINTERS NO. 3650

PRIME SPONSOR: Milne

COST / (SAVINGS)

FUND	FY 2013/14	FY 2014/15
General Fund	\$0	\$0
Industrial Development Fund	\$0	\$0
Machinery and Equipment Loan Fund	\$0	\$0
Pennsylvania Industrial Development Authority Funds	\$0	\$0
Small Business First Fund	\$0	\$0

SUMMARY: Amends Title 12 (Commerce and Trade) and Title 64 (Public Authorities and Quasi-Public Corporations) to consolidate several business loan programs under the jurisdiction of the PA Industrial Development Authority (PIDA). Most provisions are effective July 1, 2014 or immediately (whichever is later). Certain definitional changes and some technical changes are effective in 60 days.

ANALYSIS: This legislation consolidates the following business loan programs under PIDA:

- Small Business First and its affiliated programs:
 - Community Economic Development
 - Pollution Prevention Assistance
 - Export Financing
- Machinery and Equipment Loan Fund
- Industrial Development Program (current PIDA program)

All applications for the programs will be made through “certified economic development organizations,” which will assess and underwrite the loan applications prior to submission to PIDA, in accordance with a common application process. This legislation provides that all of the programs will include non-discrimination and conflict of interest provisions that are currently applied only to Machinery and Equipment Loan Fund loans.

The PIDA board will be authorized to make transfers among the Small Business First Fund, Machinery and Equipment Loan Fund, and the Industrial Development Fund.

The legislation makes specific program changes as outlined below:

Machinery and Equipment Loan Fund (MELF):

- PIDA is allowed to adjust the dollar amount (currently \$25,000 for each job created or saved) in the program’s job creation/retention ratio by publishing notice in the PA Bulletin.

Industrial Development Program:

- The complicated 50-year old formula for determining the maximum percentage of PIDA financing that a project may receive is replaced with uniform maximum percentages, as follows:
 - PIDA may finance up to 50% of an industrial development project.
 - PIDA may finance up to 75% of an industrial park project.
 - PIDA may finance up to 50% of a multi-tenant facility project, if the project is secured by a first mortgage. Up to 40% may be financed, if the project is secured by a second mortgage.
- Certified Economic Development Organizations can sponsor loans for any applicant. Previously, applicants had to be industrial development corporations (IDCs).

Small Business First (SBF):

- Capital development loans are increased from \$200,000 to \$400,000 or 50% of the project costs, whichever is less. The program is allowed to issue lines of credit up to \$100,000 for working capital. PIDA is allowed to adjust the dollar amount (currently \$25,000 for each job created or saved) in the program's job creation/retention ratio by publishing notice in the PA Bulletin.
- The Community Economic Development program may issue lines of credit in addition to term loans.
- The PIDA board may, by the adoption of a resolution, delegate the review and approval of loans less than \$200,000 to authority staff (SBF loans are currently approved by DCED staff).
- PIDA is allowed to periodically update job retention requirements for projects.

Certified Economic Development Organizations/Common Application Process: PIDA is required to establish guidelines for the certification of economic development organizations. The provisions for certification are based on current DCED practice and guidelines. Applications for the programs will be prepared and approved by a certified economic development organization prior to submission to PIDA.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth or PIDA funds. The legislation simply consolidates these special funds, available for loan purposes, under the purview of PIDA. According to DCED, the amount of assets that will be consolidated under this legislation will total about \$843 million. This figure was the value as of December 2013.

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House Appropriations Committee (R)

DATE: June 26, 2014

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