



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1550

PRINTERS NO. 4270

PRIME SPONSOR: Milne

### COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
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); and codifies the existing PA Military Community Protection Commission into law under Title 12. Most provisions are effective November 1, 2014 or immediately (whichever is later). Provisions related to the PA Military Community Protection Commission, certain definitional changes and some technical changes are effective in 60 days.

**ANALYSIS:** This legislation creates the Pennsylvania Military Community Enhancement Commission within Title 12 and consolidates several business loan programs under the PA Industrial Development Authority (PIDA).

**Military Community Enhancement Commission:** This legislation codifies the existing Pennsylvania Military Community Protection Commission into law but renames the Commission "The Military Community Enhancement Commission". The Commission shall be established within the Department of Community and Economic Development (DCED).

**Commission Members:** The Commission shall be made up of up to 17 members including the Lt. Governor. Each legislative leader shall appoint 1 member and the Governor shall appoint up to 12 members with specific experience requirements related to military service, military installations, or economic development as it relates to military installations.

Commission members shall be appointed for a term of two years and serve until their respective successors are appointed. A member may be reappointed for additional terms. Members appointed by the Governor shall serve at the pleasure of the Governor. Commission members shall not receive compensation for their services, but shall receive reimbursement for their necessary and proper expenses for attendance at meetings. The Governor shall appoint an executive director.

**DCED Assistance:** DCED shall provide appropriate administrative, legal and technical support as needed by the commission in order to accomplish its purpose.

**Reports:** The commission shall report its activities no less than quarterly to the Governor or the Governor's designated representative.

**Powers and Duties of the Commission:** The Commission shall:

- (1) Advise on the expansion of economic development opportunities and defense-related industry organizations in public or private sectors in this Commonwealth.
- (2) Establish a viable and long-term relationship with each military installation, organization and defense-related organization in this Commonwealth.
- (3) Monitor the activities at the Federal level relating to any initiative or proposal that will affect, either positively or negatively, any military installation or organization or defense-related organization in this Commonwealth.
- (4) Educate and engage stakeholders at the Federal, State and local levels and in the public and private sectors on the enhancement and preservation of the military installations and organizations and defense-related organizations in this Commonwealth.
- (5) Advocate at the Federal, State and local levels for the enhancement of the military installations and organizations and defense-related organizations in this Commonwealth in order to fully support our nation's military at home and abroad.
- (6) Identify, in coordination with DCED, sources of funding for economic development projects, including projects under this title 64 Pa.C.S. (relating to public authorities and quasi-public corporations) or projects under the Capital Facilities Debt Enabling Act, related to military installations and defense-related organizations in this Commonwealth.
- (7) Estimate an annual budget for the commission.

**PIDA Consolidation:** 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.

**Machinery and Equipment Loan Fund (MELF) Changes:**

- 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 Changes:**

- The 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) Changes:**

- 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 via notice in the PA Bulletin.
- 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 will have no adverse fiscal impact on Commonwealth funds. The Pennsylvania Military Community Protection Commission currently exists within DCED with an annual budget of \$400,000. This budget includes the salaries and benefits of an executive director and an assistant, travel costs, plus other operating expenses. DCED indicates that no contracts for services have been entered into yet. This Commission would be subject to the appropriations process and is currently funded out of DCED's General Government Operations (GGO) line item. DCED's GGO line item was funded at \$14.4 million for the 2014-15 Fiscal Year.

This legislation would have no adverse fiscal impact on 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 \$670 million.

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House Appropriations Committee (R)

**DATE:** October 14, 2014

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