



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 810

PRINTERS NO. 963

PRIME SPONSOR: Thomas

COST / (SAVINGS)

FUND	FY 2014/15	FY 2015/16
General Fund	See fiscal impact	See fiscal impact

SUMMARY:

House Bill 810, printer's number 963, amends Title 64 (Public Authorities and Quasi-Public Corporations) of the Pennsylvania Consolidated Statutes, to further provide for the Commonwealth Financing Authority (CFA) Second Stage Loan Program. The effective date is 60 days after enactment.

ANALYSIS:

The bill amends Section 1553 of Title 64 to make revisions to the CFA's Second Stage Loan Program. The Second Stage Loan Program provides loan guarantees to commercial lending institutions that make loans to life sciences, advanced technology or manufacturing businesses located within the Commonwealth. Section 1553(d)(2) is amended to clarify that a Second Stage Loan Program applicant must demonstrate that the use of the loan proceeds by the borrower will result in jobs being created or retained within this Commonwealth and an estimate as to the number of projected new or retained employees as a result of the loan. The application must also include a statement that the borrower's business is located within the commercial lending institution's service area within the Commonwealth. The requirement that the borrower's business be no more than seven years old at the time of application is removed. The requirement for the borrower's business to have been in existence for at least two years remains.

Section 1553(f) is also amended by the bill to change the limitations for the Second Stage Loan Program guarantee. The bill provides that the maximum guarantee amount and percentage shall be determined by the CFA and shall terminate at the end of seven years. Currently, the guarantee may not exceed 50% of the outstanding principal amount of the loan during the first two years of the term of the loan and no more than 25% of the outstanding principal from the end of year two through either the end of year seven or the end of the term of the loan, whichever occurs first. The maximum loan guarantee amount of \$1,000,000 is not changed.

The CFA Second Stage Loan Program is authorized to provide a total of \$50,000,000 in loan guarantees. To date, \$3,360,000 in Second Stage Loan Program guarantees have been approved leaving available authority of \$46,640,000.

FISCAL IMPACT:

The enactment of this bill may result in costs to the Commonwealth to the extent that Second Stage Loan Program guarantees to commercial lending institutions are approved and the guarantees are called by the commercial lending institutions. To date, the CFA has had to pay \$6,948,007 for three different CFA loan guarantee programs, including one Second Stage Loan Program guarantee of \$73,875. Loan guarantees have been paid from CFA interest earnings, which are estimated to be \$8,500,184 at June 30, 2015. If CFA interest earnings are unavailable, CFA loan guarantees would have to be paid through a General Fund appropriation or through bond issuance authorized by the CFA authorizing statute, Act 22 of 2004.

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House Appropriations Committee (R)

DATE: June 23, 2015

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