

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1550

PRINTER'S NO. 3650

AMOUNT

No Fiscal Impact

FUND

General Fund
Industrial Development Fund
Machinery and Equipment Loan Fund
PIDA Funds
Small Business First Fund

DATE INTRODUCED

June 17, 2013

PRIME SPONSOR

Representative Milne

DESCRIPTION AND PURPOSE OF BILL

House Bill 1550 amends Title 12 (Commerce and Trade) and Title 64 (Public Authorities and Quasi-public Corporations) of the Pennsylvania Consolidated Statutes, in economic development financing strategy for the purpose of consolidating six business loan programs under the jurisdiction of the Pennsylvania Industrial Development Authority (PIDA).

Several economic development business financing programs are consolidated under the jurisdiction of the PA Industrial Development Authority, including:

- Small Business First (SBF) and its affiliated programs:
 - Community Economic Development (Capitol Development Loans, EDA Loans under the Public Works and Economic Development Act of 1965, Loans in Distressed Communities)
 - Pollution Prevention Assistance
 - Export Financing
- Machinery and Equipment Loan Fund (MELF)
- Pennsylvania Industrial Development Program (current PIDA program)

Changes to all programs:

- All applications for the programs will be made through certified economic development organizations, which must prepare and approve the loan applications prior to submission to PIDA, in accordance with a common application process. The legislation provides for the certification of economic development organizations by PIDA (based on current DCED practice and guidelines) and for the common application process.

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

- All programs will include non-discrimination and conflict of interest provisions, which are currently applied only to Machinery and Equipment Loan Fund loans.
- The PIDA board would be authorized to make transfers among the Small Business First Fund, Machinery and Equipment Loan Fund, and the Industrial Development Fund to ensure the efficient use of funds.
 - The one exception to PIDA authority to transfer funds is with regard to the funds in the Pollution Assistance Account.

Specific Program Changes:

- Small Business First
 - The limit on Capital Development Loans is 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 (in addition to currently allowed term loans), up to \$100,000 for working capital. PIDA is allowed to adjust the dollar amount for each job created or saved in the program's job creation/retention ratio by publishing notice in the PA Bulletin based on changes in unemployment statistics, inflation, PIDA's cash flow and the need to keep the Commonwealth and the businesses of the Commonwealth competitive.
 - The Capital Development Loans and Loans in Distressed Communities programs 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.
 - PIDA is allowed to periodically update job retention requirements for projects.
- Machinery and Equipment Loan Fund
 - 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 based on changes in unemployment statistics, inflation, PIDA's cash flow and the need to keep this Commonwealth and the businesses of this Commonwealth competitive.
- PA Industrial Development Program – A new Chapter 30 (relating to the PA Industrial Development Program) is added to Title 12 that establishes the provisions of the PA Industrial Development Program within Title 12 for the purpose of providing loans for industrial development projects, industrial parks and multiple-tenancy building projects, to increase employment levels and to improve the overall economic health of this Commonwealth.
 - 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:

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

- 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 IDCs.

Title 64 (Public Authorities and Quasi-Public Corporations) is amended by adding a Subchapter A (General Provisions) and a Subchapter C (Program Management) for purposes of ensuring that the various economic development programs are addressed under Title 64, including among other things the authorization to transfer funds as indicated above.

The legislation also adds Subchapter D (Transfer of Loans) that provides for the transfer of loans and legal actions under the existing finance programs, makes necessary repeals and provides for various effective dates.

Most provisions are effective July 1, 2014 or immediately (whichever is later), although certain definitional changes and various technical changes are effective in 60 days.

FISCAL IMPACT:

House Bill 1550 will have no adverse impact on Commonwealth or PIDA Funds. The legislation consolidates these special funds, available for loan purposes, under the purview of PIDA.

According to the Department of Community and Economic Development, the amount of assets that will be consolidated under House Bill 1550 will total nearly \$670 million. This figure takes into account the \$85 million transfer from the Machinery and Equipment Loan Fund to the General Fund and the \$95 million transfer from the Small Business First Fund to the General Fund, which were made in the FY 2014-15 General Appropriation Act (Act No. 1A of 2014).