

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2638

PRINTER NO. 4248

AMOUNT

See Fiscal Impact

FUND

General Fund
Military Installation Remediation Fund

DATE INTRODUCED

September 12, 2018

PRIME SPONSOR

Representative Stephens

DESCRIPTION AND PURPOSE OF BILL

House Bill 2638 amends the Transit Revitalization Investment District Act (Act 238 of 2004) to provide for proper infrastructure remediation at military installations.

The legislation adds new Chapter 3-A, which establishes a remediation program and creates a funding mechanism that redirects state and local tax revenues associated with the rehabilitation and redevelopment of certain former military installations affected by pollution and which are located within a qualified municipality.

House Bill 2638 defines a “qualified municipality” as a municipality which has within its geographic bounds a qualified former military installation. A “qualified former military installation” is a parcel that was previously used by a branch of the U.S. Armed Forces and was closed based on the recommendation of the Defense Base Closure and Realignment Commission no more than 15 years prior to the effective date of this act. A “qualified authority” is a municipal authority established under Title 53 by a qualified municipality for the purpose of issuing grants for a military installation remediation project under this act.

Remediation project costs that qualify for funding under the legislation include the following:

1. The cost of remediation relating to perfluorinated compounds present in drinking water related to the presence of a qualified former military installation; and
2. The transportation infrastructure and economic development costs within a qualified municipality to encourage redevelopment of the qualified former military installation.

Under the remediation program, a qualified authority shall submit an application to the Department of Revenue (department) with a list of parcels. The list may include the following:

1. A qualified former military installation;
2. A parcel in the qualified municipality which was previously subject to development restrictions due to the presence of the qualified former military installation; and
3. No more than 100 acres of parcels in the qualified municipality which are deteriorated.

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An application shall include a copy of the development plan, relevant geographic data, parcel numbers, an economic impact report containing potential state and local revenue impact, a certificate from the local governing boards that approves designating local taxes to the program, and such additional information as required by the department. Parcels that meet the department's criteria shall receive full designation for the remediation program. Approved applications shall be in effect for no more than 30 years from the effective date of the program.

By June 1 of each year, a qualified authority must file with the department a detailed list of all qualified taxpayers located in designated parcels for the prior calendar year. A "qualified taxpayer" is a person conducting business for profit in a designated parcel or an individual whose primary residence is in a designated parcel. However, the term does not include a person conducting business for profit that moves operations from a non-designated parcel to a designated parcel. If the list is not filed in a timely manner, no eligible tax may be certified by the department for the benefit of a qualified authority under the program.

No later than June 15 of each year, each qualified taxpayer shall file a program report with the department that includes the amount of each qualified tax paid to the Commonwealth and the amount of each qualified tax refund received from the Commonwealth in the prior calendar year. In making these calculations, House Bill 2638 provides rules for apportioning qualified tax liabilities to designated parcels using property, payroll and sales factors. By November 15 of each year, the department shall certify to the Office of the Budget the amount of eligible tax paid along with the amount of state refunds received less the amount of state tax paid by each qualified taxpayer. Within ten days of receiving the certification, the Office of the Budget shall direct the State Treasurer to transfer the certified amount from the General Fund to each restricted account within the Military Installation Remediation Fund (fund) established under this act for the benefit of a qualified authority.

Money in the fund may only be utilized for a military installation remediation project, the payment of debt service on bonds issued or refinanced for the acquisition, development, construction, reconstruction, renovation or refinancing of military installation remediation projects or operational costs of a qualified authority.

Money transferred to the fund may not exceed 500% of the local taxes and additional money designated and transferred to the qualified authority by local taxing authorities for the prior year. Any excess money shall be returned to the State Treasurer for deposit into the General Fund by April 15 of the following calendar year.

House Bill 2638 prescribes that the governing body of a qualified authority be composed of the following members:

1. A member of the Senate who resides in the qualified municipality, or, if none, a permanent resident of the municipality as appointed by the President Pro Tempore;
2. A member of the House of Representatives who resides in the qualified municipality, or, if none, a permanent resident of the municipality as appointed by the Speaker of the House;

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3. A permanent resident of the qualified municipality appointed by a school district which has within its geographic bounds a qualified former military installation;
4. A permanent resident of the qualified municipality appointed by an authority established to redevelop the qualified former military installation; and
5. A permanent resident of the qualified municipality appointed by the governing body of the qualified municipality.

Members appointed under paragraphs (1), (2) and (4) above shall serve for a term of five years, and all other members shall serve for a term of four years.

The act shall take effect immediately.

FISCAL IMPACT:

House Bill 2638 makes funds available to pay for certain qualified military installation remediation projects by redirecting state and local tax revenues to the Military Installation Remediation Fund. Any fiscal cost to the General Fund and local funds will depend on the parcels that are designated, the cost of the project and the amount of economic activity generated from the designated parcels located in qualified municipalities.

At present, the Willow Grove Naval Air Station located in Montgomery County is believed to be the only qualified former military installation affected by the legislation. Currently, local ratepayers have been bearing the costs to remove harmful contaminants from public drinking water in the vicinity of the Willow Grove Naval Air Station. Some estimates have placed the local surcharge at approximately \$1.5 million annually.

House Bill 2557 will redirect state and local tax revenue to a new authority that will utilize these funds to eliminate the local ratepayer surcharge and to fund projects to eliminate contaminants from drinking water in neighboring municipalities. The legislation utilizes a funding mechanism similar to that used by the Commonwealth's City Revitalization and Improvement Zones program (CRIZ). Lancaster City is one example of a successful CRIZ program, and in October 2017, state taxes transferred from the General Fund to the Lancaster City CRIZ for 2016 totaled approximately \$3.5 million.

Because the Lancaster City area is more populated than the Horsham, PA area, where Willow Grove Naval Air Station is located, it is presumed that the funding mechanism will generate less money than the Lancaster City CRIZ by some significant margin.