

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 8024

BILL NUMBER: HB 1909

DATE PREPARED: Mar 16, 1999

BILL AMENDED: Mar 16, 1999

SUBJECT: Brownfield remediation and redevelopment.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) (1) This bill allows the Department of Commerce to use money remaining in the Enterprise Zone Fund at the end of a fiscal year to provide grants to enterprise zones for brownfield remediation and redevelopment activities.

(2) It eliminates duplication between two provisions granting authority to establish additional standards relating to establishing brownfield revitalization zones and granting tax deductions for them. It indicates that deductions in a zone may be limited to real or personal property in the zone. It prohibits a person that contaminates soil or surface water in a zone from receiving a property tax deduction for revitalizing the area. (Under current law only a person who contaminates groundwater is prohibited.)

(3) It eliminates the requirement that a political subdivision applying for a loan from the environmental remediation revolving loan program obtain an opinion of bond counsel. It allows the Indiana Development Finance Authority (IDFA) to obtain an approving opinion.

(4) It permits IDFA to deposit appropriations and other money received under the environmental remediation revolving loan program into a subaccount of the Environmental Remediation Revolving Loan Fund for the purpose of providing forgivable loans to political subdivisions for brownfield remediation and redevelopment. It provides that IDFA must provide for special considerations for certain projects.

(5) It provides that certain persons are not subject to the civil penalty for violation of an underground storage tank standard if the tank is on a brownfield.

(6) It legalizes certain brownfield revitalization zones and voids certain zones established within a specified period. It makes related changes.

Effective Date: (Amended) July 1, 1997 (retroactive); Upon passage; July 1, 1999.

Explanation of State Expenditures: (Revised) (1) This bill provides that the Department of Commerce may use money remaining in the Enterprise Zone Fund at the end of a fiscal year to provide grants to enterprise zone associations for brownfield remediation and redevelopment activities within the 21 enterprise zones in the state. Under current statute, revenue in the Enterprise Zone Fund is used to pay salaries of employees of the Enterprise Zone Board and to pay administrative expenses of the enterprise zone program. This may increase the Department of Commerce's expenditures if it provides grants from this Fund.

The Enterprise Zone Fund receives revenue from the registration fee paid by certain enterprise zone businesses. If a business receives enterprise zone incentives in excess of \$1,000 in any year, the business must pay a registration fee equal to one percent of its incentives. The Fund receives between \$300,000 and \$400,000 in registration fee revenue annually. The budget request for the enterprise zone program is \$177,105 for both FY 2000 and FY 2001. The balance of the Fund at the end of FY 98 was approximately \$1.1 million.

(4) It allows the Indiana Development Finance Authority (IDFA) to deposit appropriations and other money received under the environmental remediation revolving loan program *after June 30, 1999* into a subaccount of the Environmental Remediation Revolving Loan Fund (ERRLF). IDFA must then use money in the subaccount to award forgivable loans to political subdivisions for brownfield remediation and redevelopment. Not more than 20% of the total amount of loans provided for a project may be in the form of a forgivable loan.

Explanation of State Revenues: (Revised) (5) This may decrease civil penalty revenue by a minimal amount. A civil penalty cannot be more than \$10,000 per underground storage tank for each day of violation. Penalty revenue is deposited in the Underground Petroleum Storage Tank Trust Fund. The Fund also receives money from the underground storage tank registration fee, penalties from nonpayment of the registration fee, costs recovered by the state in connection with any corrective action or enforcement with respect to a release of petroleum, appropriations made by the General Assembly, and federal grants. Money in that Fund is used to pay costs associated with corrective actions resulting from leaks from underground petroleum storage tanks and to pay administrative and personnel costs. The available balance of the Fund was approximately \$4.4 million on June 30, 1998.

Explanation of Local Expenditures: (Revised) (3) Under current law, a political subdivision that wishes to receive financial assistance through the environmental remediation revolving loan program must furnish an approving opinion from a nationally recognized bond counsel. This bill permits IDFA to determine if such an opinion is necessary. In the cases where IDFA does not deem the opinion necessary, the political subdivision would save money by not having to pay for the opinion. The amount of money saved under this bill depends on the number of applications for assistance that do not need an opinion and the cost of obtaining an opinion.

Explanation of Local Revenues: (Revised) (2) Current law prohibits individuals who contaminate groundwater in a brownfield revitalization zone from receiving a brownfield revitalization zone tax abatement. This bill expands that prohibition to individuals who contaminate soil or surface water in a brownfield revitalization zone. The expanded prohibition could keep some taxpayers that were responsible, at least in part, from receiving a tax abatement to perform a voluntary remediation. If the taxpayer who contributed to the contaminant makes an investment in the property, part of the property tax burden would immediately shift from all taxpayers to the investing taxpayer under this proposal. Under current law, this shift is delayed by the abatement. (This analysis assumes that the investment would have been made regardless of the availability of tax abatements).

(4) See State Expenditures.

State Agencies Affected: Department of Commerce; Indiana Development Finance Authority; Indiana Department of Environmental Management.

Local Agencies Affected: Political subdivisions.

Information Sources: Lara Beck, Indiana Development Finance Authority, 233-4332; Leslie Richardson, Department of Commerce, 232-8962.