

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7672

BILL NUMBER: HB 1985

DATE PREPARED: Jan 23, 1999

BILL AMENDED:

SUBJECT: Economic development.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill makes several provisions regarding economic development:

- *Industrial development funds:* This bill provides that information and high technology infrastructure is eligible for programs under the Industrial Development Fund, the Industrial Development Grant Fund, and the Industrial Development Project Guaranty Fund.
- *High growth company definition:* It defines high growth companies with high skilled jobs and information and high technology infrastructure.
- *IDFA transfer:* It specifies the amount that the Indiana Development Finance Authority (IDFA) may transfer to the reserve fund under the Capital Access Program in the case of a borrower that is a high growth company with high skilled jobs.
- *CEDIT revenue:* The bill also provides that County Economic Development Income Tax (CEDIT) revenue may be used for the financing of information and high technology infrastructure.

Effective Date: July 1, 1999.

Explanation of State Expenditures: *Industrial development funds:* This bill provides that information and high technology infrastructure is eligible for funding from certain industrial development funds administered by the Indiana Department of Commerce and the Indiana Development Finance Authority (IDFA) . While this bill expands the category of development projects that may be funded, it does not necessarily increase expenditures. However, if more funds are used for high technology infrastructure, less may be available for other purposes. The three funds affected by this bill are the Industrial Development Fund, the Industrial Development Grant Fund, and the Industrial Development Project Guaranty Fund.

Expenditures in FY 1998 for the Industrial Development Grant Fund were \$3,389,252, and expenditures for the Industrial Development Fund were \$140,000. There was no funding specifically for the Industrial Development Project Guaranty Fund in FY 1998, although expenditures for the IDFA Project Guaranty Fund were \$400,000.

IDFA transfer: This bill specifies the amount that IDFA may transfer to the reserve fund under the Capital Access Program (CAP) if the borrower is a high growth company with high skilled jobs. It provides that the IDFA may transfer three times the standard amount if the borrower is a high growth company with high skilled jobs. This provision does not increase the total amount of money that IDFA may transfer to the reserve fund. However, if more funds are transferred to help secure loans for high growth companies, less may be available for other borrowers.

For FY 1998, IDFA received a total appropriation of \$800,000 for the CAP program and transferred \$479,987 to the reserve fund. These funds helped to generate 243 CAP-participating loans through private institutions in FY 1998 for a total amount of \$13,483,524.

Explanation of State Revenues:

Explanation of Local Expenditures: *CEDIT revenue:* This bill provides that CEDIT revenue may be used for financing information and high technology infrastructure. Although this bill will not necessary change the total amount of CEDIT revenue distributed, allowing counties to use the money for information and high technology infrastructure may result in less funding for other economic development projects.

Explanation of Local Revenues: In CY 1998, 55 counties had adopted CEDIT, and the total CEDIT certified distributions equaled \$112 million for these counties. This bill could encourage a county seeking to fund information and high technology infrastructure that has not adopted CEDIT to do so.

State Agencies Affected: Indiana Department of Commerce, IDFA.

Local Agencies Affected: Local civil units of government.

Information Sources: Leslie Richardson, Director, Division of Research, Indiana Department of Commerce, (317) 232-8962; State Budget Committee.