

**HOUSE OF REPRESENTATIVES
DEMOCRATIC COMMITTEE**

BILL ANALYSIS

BILL NO: **HB2340** PN3485

SPONSOR: Rep. Levdansky

COMMITTEE: FINANCE

DATE: June 28, 2010

PROPOSAL/EXECUTIVE SUMMARY: The bill establishes reporting and procedural requirements for the Department of Community & Economic Development (DCED) relative to tax credits, property tax abatements, and business subsidies.

EXISTING LAW: The bill is a free standing Act. Powers and duties of DCED are established in the Administrative Code of 1929 (Act of April 9, 1929, P.L. 177, No. 175).

ANALYSIS: Titled “The Economic Development and Fiscal Accountability Act,” the bill requires DCED to submit an annual unified economic development budget report to the General Assembly no later than five months after each fiscal year. The report shall present all forms of expenditures for economic development during the prior fiscal year, including but not limited to:

- The amount of uncollected state & local government tax revenues resulting from each tax credit, abatement and exemption.
- The name of each taxpayer claiming any tax credit, abatement, exemption, or reduction of any value at or greater than \$5,000, including the total amount claimed.
- All state-related expenditures for economic development, including line-item budgets for every state-funded entity concerned with economic development.

The bill requires each political subdivision to submit an annual report to DCED regarding any real property within its jurisdiction that has received a property tax abatement, reduction, exemption, or subsidy. DCED shall publish all of the data from the reports in written and electronic form, which shall be available on the department’s website. One form of electronic publication must be a spreadsheet suitable for analysis.

The bill requires the following information to be included with any application for economic development subsidies, as well as requires an annual “progress report” to be submitted no later than February 1 of each year for each subsidy granted:

- The contact information of the chief officer of the granting body, as well as of the chief officer of the applicant and the applicant’s corporate parent, if any. The same information is required of the chief officer of each business or corporate parent of each business operating on the project site, if different from the applicant or applicant’s corporate parent.
- An application tracking number for the granting agency and the project, as well as a street address of the project site.

- The land-use classification of the project site, including indication of whether it is a Greenfield or Brownfield.
- The three-digit North American Industry Classification System number of the project site.
- The total number of individuals employed at the project site by each employer on the date of application, as well as individuals employed in the Commonwealth by the applicant's corporate parent, if any, as of December 31 of the prior fiscal year, itemized by fulltime, part time, or temporary positions.
- The development subsidy and its value being applied for, as well as the infrastructure improvements to be provided at the project site.
- The number of new jobs to be created, itemized by fulltime, part time, or temporary positions.
- The average hourly wage to be paid to all current and new employees at the project site, itemized by job classification and wage groups as defined in the bill.
- The type and amount of health care coverage to be provided by the applicant and each business operating at the project site within 90 days of commencement of employment at the project site, including costs borne by the employees.
- A list of all development subsidies requested by the applicant and the name of any other granting body from which subsidies are sought, as well as a statement as to whether the development subsidy may reduce employment at any other site controlled by the applicant or its corporate parent, if any, within the Commonwealth.

The bill institutes subsidy limits and job quality standards by establishing that granting bodies may not award development subsidies if the projected cost per job is greater than \$35,000. Development subsidies shall also not be awarded unless the average of the wages paid to employees at the project site are equal to or exceed 90% of the average hourly wage paid to non-managerial employees in the NAICS Sector in the community, except that for small businesses, the average wage must equal or exceed 80% of wages, which shall only apply to a recipient that does not provide health care coverage as approved in its application. If health care coverage is provided, the percentage decreases to 80% and 70% for small businesses.

The bill requires each business at the project site to fulfill its job creation and wage requirements within two years of the date of the subsidy. The recipient shall maintain its wage and benefit goals as long as the subsidy is in effect or for five years, whichever is longer. The corporate parent must maintain at least 90% of its Commonwealth employment as long as the subsidy is in effect or for five years, whichever is longer. If these requirements are not fulfilled, the granting body shall recapture the development subsidy within 60 days of notice as follows:

- Upon a failure by the recipient corporation or other business at the site to create the required number of jobs or pay the required wages or benefits, the amount shall be based on a pro rata amount by which the unfulfilled jobs, wages or benefits bear to the total amount of the development subsidy.
- Upon failure of the corporate parent to maintain at least 90% of its Commonwealth employment, the rate of recapture shall equal twice the percentage by which the employment is less than 90%.

The bill establishes requirements for public notice and public hearing by requiring prior to granting any business subsidy that exceeds \$500,000 for a state government program or \$150,000 for a local government program the grantor must provide public notice and public hearing in the county of the business site where the subsidy will be used. The public notice and hearing are not required if the same is already required under law or prior notice has been provided to the county planning commission and local political subdivision's planning commission CEO, and has been waived by those CEOs.

Further, publication of a proposed business subsidy by a state government grantor must be submitted to the Pennsylvania Bulletin and published in a local daily newspaper in the county and geographical area of the business site where the subsidy will be used. Proposed business subsidies by a local government grantor must also be published in a local daily newspaper in the county and geographical area, except that if a daily newspaper is not published in the county, publication of notice in a weekly newspaper may be substituted if its circulation significantly includes the area where the subsidy will be used. The public notice shall include the date, time, and place of the public hearing, as well as information and a summary of the terms of the proposed subsidy.

EFFECTIVE DATE: The first fiscal year occurring after December 31, 2009.

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