



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2425

PRINTER'S NO. 3440

PRIME SPONSOR: Donahue

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	SEE FISCAL IMPACT

SUMMARY:

House Bill 2425 provides for the funding of competitive sites for businesses by establishing the Pennsylvania Strategic Investments to Enhance Sites (PA SITES) Program, the PA SITES Fund, and the PA SITES Debt Service Restricted Account and confers powers and duties on the Department of Community and Economic Development (DCED) and Pennsylvania Economic Development Financing Authority (PEDFA).

ANALYSIS:

House Bill 2425 establishes the PA SITES program within the Department of Community and Economic Development to provide grants and loans to approved eligible applicants for eligible projects. DCED will be responsible for administering the PA SITES program and evaluating applications.

DCED, with the approval of the Office of the Budget (OB), may apply under the Financing Law (P.L. 251, No. 102 known as the Economic Development Financing Law) to PEDFA for funding for the PA SITES program. Bonds issued under this act shall not be a debt or liability of the Commonwealth and bond obligations and administrative expenses are payable only from money pledged or available for repayment.

Upon approval of OB, DCED shall specify in its application to PEDFA the maximum principal amount of the bonds and the maximum term of the bonds. The total aggregate principal amount for all bonds issued under this program may not exceed \$500 million and the terms of the bonds issued may not exceed 30 years from the original date of issuance.

PEDFA and DCED may enter into a service agreement to operate this program with DCED agreeing to pay the bond obligations and administrative expenses to PEDFA in each fiscal year that the bonds remain outstanding. These payments will be subject to an appropriation of funds by the General Assembly.

The bill also creates two restricted accounts. First, a restricted account shall be created within the State Treasury known as the PA SITES Fund where all proceeds of the bonds shall be deposited. Second, a restricted account shall be created within the General Fund known as the PA SITES Debt Service restricted account to pay bond obligations issued by PEDFA.

The authority to issue bonds, other than refunding bonds, shall expire two years from the effective date of this act.

This act shall take effect in 60 days.

FISCAL IMPACT:

This bill will have a fiscal impact on commonwealth funds. It authorizes a maximum principal amount of bonds not to exceed \$500 million. In addition to the principal repayments, the commonwealth will incur interest on the costs of the bonds sold. The timing of principal and interest payments depends on when a bond sale is executed, and the interest rate the commonwealth achieves depends both on the fiscal condition and creditworthiness of the commonwealth at the time of sale. Interest rates can vary significantly over time.

The Department of Community and Economic Development believes the 0.2% of the bond proceeds in the aggregate over the life of the program authorized to administer the program is sufficient.

Due to the varying nature of interest rates and without knowing the total amount of bonds issued, the fiscal impact is indeterminate at this time.

PREPARED BY: Chris Fetterman
House Appropriations Committee (D)

DATE: July 1, 2024

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.