

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 1297

**PRINTER'S NO.** 1781

**AMOUNT**

\$10,350,000

**FUND**

General Fund

**DATE INTRODUCED**

October 18, 2011

**PRIME SPONSOR**

Senator Baker

**HISTORY OF BILL**

Referred to COMMUNITY, ECONOMIC AND RECREATIONAL DEVELOPMENT, Oct. 18, 2011

Reported as amended, Nov. 1, 2011

First consideration, Nov. 1, 2011

Re-referred to APPROPRIATIONS, Nov. 1, 2011

Re-reported as amended, Nov. 14, 2011

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 1297 enacts a freestanding act known as the Small Business Flood Relief Act of 2011 in order to provide additional assistance to certain small businesses that were affected by Hurricane Irene and Tropical Storm Lee.

To be eligible for assistance under the act, a small business must meet the following requirements:

- Be located in a county that has been declared a Federal disaster area as a result of Hurricane Irene or Tropical Storm Lee
- Have suffered an eligible loss, which is defined as damage caused to a small business as a result of the storms, which is to be certified by PEMA
- Be a for-profit enterprise that employs 100 or fewer individuals
- Be registered and in good standing with the Department of Revenue with regard to the filing and payment of state taxes

The legislation establishes a restricted account in the State Treasury for the purpose of making loans that shall be provided to small businesses eligible for assistance under the Small Business Flood Relief Program. The sum of \$10 million is appropriated to the Department of Community and Economic Development ("department") to carry out the program under this act. The department shall adopt guidelines to administer the program.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

A small business shall apply for a loan by or on October 2, 2012 on a form furnished by the department. The department shall make an eligibility and loan determination within 30 days on a first-come, first-served basis.

The minimum and maximum loan amounts to be awarded are \$10,000 and \$100,000, respectively, or the adjusted loss, whichever is less. The adjusted loss is the difference between the eligible loss and covered loss (i.e. amount covered by private insurance and Federal loans). Loan proceeds may be used for working capital, inventory, equipment purchase and real property improvements, if the real property is owned by the borrower. Loan proceeds may not be used for refinancing existing debt or outstanding debt payments. Furthermore, equipment and real property must be located in this Commonwealth.

A loan for working capital or inventory shall be made at an interest rate not to exceed 3% for the term of the loan, which shall not exceed five years. A loan for equipment purchase or real property improvement shall be made at an interest rate not to exceed 1% for the term of the loan, which shall not exceed 10 years.

The program and the restricted account shall terminate on December 31, 2012, and any money remaining in the account shall be transferred to the General Fund.

The Act shall take effect immediately.

### **FISCAL IMPACT:**

\$10 million will be appropriated from the General Fund to a restricted account established in the State Treasury to carry out the Small Business Flood Relief Program. However, the program is a loan program, and so presumably the General Fund will be reimbursed as loans are repaid.

The program establishes an interest rate of 3% on loans for working capital and inventory, and 1% for equipment purchases or real property improvement. The interest earned over the life of the program will help offset the earnings that could have been made if the money had been held in the General Fund and invested by the State Treasurer. To the extent that some recipients may default on the loans, the General Fund will likely absorb those costs.

The legislation requires PEMA to certify that the damage caused to a small business resulted from Hurricane Irene or Tropical Storm Lee. PEMA indicated that it would need four full-time employees at a total cost of \$300,000 to fulfill its responsibilities under the act (three administrative officers at \$85,000 each and one clerical person at \$45,000, including salaries and benefits).

DCED has indicated that it will need to hire one additional employee at a cost of \$50,000 to administer the program.