



HOUSE COMMITTEE ON APPROPRIATIONS  
2009-10 Legislative Session

**FISCAL NOTE**

HOUSE BILL: 2289

PRINTER'S NO: 3267

PRIME SPONSOR: D. Evans

<b>Project Authorization</b>	<b>FY 2009/10 Act 53 of 2009</b>	<b>FY 2010/11 HB 2289</b>	<b>Increase/ (Decrease)</b>
Public Improvement Projects – Buildings and Structures	\$920,000,000	\$890,000,000	(\$30,000,000)
Furniture and Equipment	\$15,000,000	\$25,000,000	\$10,000,000
Transportation Assistance Projects	\$192,000,000	\$175,000,000	(\$17,000,000)
Redevelopment Assistance Projects	\$325,000,000	\$225,000,000	(\$100,000,000)
Flood Control Projects	\$30,000,000	\$35,000,000	\$5,000,000
Bridge Projects	\$200,000,000	\$200,000,000	\$0
<b>Total Authorization</b>	<b>\$1,682,000,000</b>	<b>\$1,550,000,000</b>	<b>(\$132,000,000)</b>

**OVERVIEW:**

House Bill 2289 provides for the Capital Budget Act of 2010/11. This legislation authorizes the Commonwealth to issue up to \$1.55 billion in additional debt to pay for capital projects next fiscal year.

Section 7(a) (4) of Article VIII of the Constitution of Pennsylvania requires the itemization of all capital projects before being paid for by the Commonwealth. The bonds issued will pay for capital projects already itemized and approved for funding.

The PA Constitution limits capital budget debt to 1.75 times the average tax revenues during the previous five fiscal years. According to the Governor's Executive Budget Request for 2010/11, the average tax revenues during the previous five fiscal years are \$32,997,038,000 resulting in a debt limit of \$57,744,816,000. The Commonwealth's outstanding capital budget debt at the end of 2010/11 will be \$9,529,968,000, which is 16.5% of the Constitutional limit and represents a projected increase of 1.5% from the previous fiscal year.

This legislation shall take effect July 1, 2010 or immediately, whichever is later.

**ANALYSIS:**

House Bill 2289 specifies the maximum principal amount of debt to be incurred during the FY 2010/11 for capital projects itemized in a capital project itemization bill. This legislation authorizes additional capital projects in the categories of Public Improvements – Building and Structures (\$890 million), Furniture and Equipment (\$25 million), Transportation Assistance Projects (\$175 million), Redevelopment Assistance Projects (\$225 million), Flood Control Projects (\$35 million) and Bridge Projects (\$200 million).

In addition to the amortization of the principal amount of bonds, the Commonwealth will incur additional cost for the interest payments as bonds are sold. For every \$100 million of bonds issued, it will cost approximately \$8.024 million per year for twenty (20) years assuming a rate of five (5) percent using a level debt-service methodology. The actual cost to the Commonwealth will depend on the amount of bonds sold and the interest rate(s) at the time of sale.

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**DATE:** March 8, 2010

**General Note and Disclaimer:** *This Fiscal Note was prepared pursuant to House Rule 19(a), and the elements considered and reported above are required by Section 5 of the rule. Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*