



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 2175

PRINTERS NO. 3113

PRIME SPONSOR: Turzai

### COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	\$0

**SUMMARY:** House Bill 2175, printer's number 3113, amends the act of February 9, 1999 (P.L. 1, No. 1), known as the Capital Facilities Enabling Act, as amended, to address the provisions in the Act dealing with redevelopment assistance capital projects (RACP) and the limitations on maximum allowable debt outstanding for RACP. The bill also modifies provisions related to capital project itemization bills and debt authorization bills. Effective date is immediately after enactment.

**ANALYSIS:** The bill amends the Capital Facilities Debt Enabling Act by making technical changes and section re-alignments to make the requirements of the Act clearer. Substantive changes are also made and are outlined as follows:

- Adds tunnels to the list of infrastructure improvements that are allowable as part of a RACP so long as it is associated with a project that is part of an economic development project.
- Requires the Governor to submit a capital project itemization bill to the General Assembly at least once each legislative session
- Specifies that no RACP may receive funds unless the project was itemized in a capital project budget itemization bill enacted within 10 years of the date the project is approved by the Secretary of the Budget or before December 31, 2011.
- Requires that each project itemized in a capital project itemization bill include a specific description of the project, including the municipality in which the capital project is located.
- Reduces the cap on the maximum amount of RACP debt that may be outstanding from \$4,050,000,000 to \$1,500,000,000 over a number of years as follows:
  - Immediate reduction of \$550,000,000;
  - \$50,000,000 each July 1, from July 1, 2012, through and including July 1, 2019;
  - \$150,000,000 each July 1, beginning July 1, 2020, until the cap reaches \$1,500,000,000.
- Requires the Office of the Budget to establish guidelines concerning the administration of and approval process for RACP within 60 days of the effective date of the act. The guidelines shall, at a minimum, establish application timelines, application content, and the review, evaluation and award criteria and process. Guidelines must be posted on the Internet website of the Office of the Budget.

- Specifies that a RACP applicant must hold, and provide proof of, one public informational meeting regarding the RACP. The public meeting must be held within a 10-mile radius of the RACP site and notice must be given in accordance with the requirements of the Sunshine Act. Expenses for the public meeting must be paid by the applicant.
- Requires that upon approval of a RACP, the Budget Secretary must notify leadership of the Senate and the House of Representatives, as well as the Senator or State Representative in whose district the RACP is located.
- Requires an applicant to notify the Office of the Budget of acceptance of a RACP grant within 30 days of being notified of a RACP approval. Upon acceptance by the applicant, the Office of the Budget shall forward a grant agreement to the applicant who shall execute the agreement/ contract and provide a statement and proof of local funding in addition to other specified information. Applicants must return the executed contract within the timelines established by the Office of the Budget or 180 days of notification of project approval, whichever is less.
- Requires the Office of the Budget to post on its Internet website a list of approved RACP, including the name of the applicant, location, amount of the RACP grant, and a short description of the project.
- Provides a moratorium on RACP approval for outgoing Governors for the period of time between the date a Governor-elect was elected and the third Tuesday of January next following the election.

**FISCAL IMPACT:** The enactment of this legislation will have no immediate impact on Commonwealth funds. As RACP debt issuance decreases due to the mandated reductions in the RACP maximum debt outstanding cap, debt service payment obligations of the Commonwealth will also decrease. While exact savings cannot be determined since debt service costs will be dependent upon the timing of bond sales and interest rates set at the time of the sales, an estimate of debt service payments that can be avoided based on each \$100,000,000 of bonds not sold, assuming level annual debt service and an interest rate of 3.35%, will be \$6,941,000 annually or \$138,818,000 over 20 years.

Costs associated with the preparation of RACP guidelines and posting requirements on its Internet website can be accommodated within the Office of the Budget's current funding allocation.

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**DATE:** March 9, 2012

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