



HOUSE COMMITTEE ON APPROPRIATIONS

2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 1418

PRINTER'S NO: 1740

PRIME SPONSOR: D. Evans

As Amended by A02876

Project Authorization	FY 2008-09 Act 54 of 2008	FY 2009-10 HB 1418	Increase/ (Decrease)
Public Improvement Projects – Buildings and Structures	\$404,000,000	\$920,000,000	\$516,000,000
Furniture and Equipment	\$15,000,000	\$15,000,000	\$0
Transportation Assistance Projects	\$180,000,000	\$192,000,000	\$12,000,000
Redevelopment Assistance Projects	\$200,000,000	\$325,000,000	\$125,000,000
Flood Control Projects	\$41,000,000	\$30,000,000	(\$11,000,000)
Bridge Projects	\$350,000,000	\$200,000,000	(\$150,000,000)
Highway Projects	\$35,000,000		(\$35,000,000)
Total Authorization	\$1,225,000,000	\$1,682,000,000	\$457,000,000

OVERVIEW:

House Bill 1418 provides for the Capital Budget and Project Itemization Act of 2009-10. This legislation authorizes the Commonwealth to issue up to \$1,682,000,000 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 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 2009-10, the average tax revenues during the previous five fiscal years are \$32,906,785,000, resulting in a debt limit of \$57,586,874,000. The Commonwealth's outstanding capital budget debt at the end of 2009-10 will be \$8,866,051,000, which is 15.4% of the Constitutional limit and represents a projected increase of 1.6% from the previous fiscal year.

The bill further provides for the itemization of transportation assistance projects for rural and intercity rail service to be financed by the incurring of debt at an amount not to exceed \$143 million. The bill identifies the estimated useful life of the projects, the maximum term of debt, and provides for related appropriations.

This legislation shall take effect immediately.

ANALYSIS:

House Bill 1418 specifies the maximum principal amount of debt to be incurred during the 2009-10 fiscal year 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 (\$920,000,000), Furniture and Equipment (\$15,000,000), Transportation Assistance Projects (\$192,000,000), Redevelopment Assistance Projects (\$325,000,000), Flood Control Projects (\$30,000,000) and Bridge Projects (\$200,000,000).

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 \$100,000,000 of bonds issued it will cost approximately \$8,024,000 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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House Appropriations Committee, (D)

DATE: August 3, 2009

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.*