



HOUSE COMMITTEE ON APPROPRIATIONS
2009-10 Legislative Session

FISCAL NOTE

HOUSE BILL: 2289

PRINTER'S NO: 4092

PRIME SPONSOR: D. Evans

Project Authorization	FY 2009/10 Act 53 of 2009	FY 2010/11 HB 2289	Increase/ (Decrease)
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	\$212,000,000	\$20,000,000
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
Total Authorization	\$1,682,000,000	\$1,587,000,000	(\$95,000,000)

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, 2010/11.

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 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.

House Bill 2289 also itemizes public improvement projects, transportation assistance projects and redevelopment assistance capital projects to be constructed or acquired or assisted by the Department of General Services (DGS), the Department of Community and Economic Development (DCED) and the Department of Transportation (PennDOT), together with their estimated financial costs; authorizing the incurring of debt without the approval of the electors for the purpose of financing the projects to be constructed, acquired or assisted by DGS, DCED or PennDOT; stating the estimated useful life of the projects; providing an exemption; providing for limitation on certain capital projects and for delegation of duties relating to a capital budget project to the University of Pennsylvania; and making appropriations.

This act shall take effect immediately.

ANALYSIS:

House Bill 2289 specifies the maximum principal amount of debt to be incurred during the 2010/11 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 (\$890 million), Furniture and Equipment (\$25 million), Transportation Assistance Projects (\$212 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 \$8,024,000 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.

The total authorization for **Public Improvements Projects** is **\$28,060,000** for projects to be acquired or constructed by the Department of General Services, its successors or assigns, to be financed by the incurring of debt.

The total authorization for **Transportation Assistance Projects** authorizes **\$9,559,000** for projects to be acquired in or constructed by the Department of Transportation to be financed by the incurring of debt.

The total authorization for **Redevelopment Assistance Capital Projects** authorizes **\$298,250,000** for capital grants by the Department of Community and Economic Development, its successors or assigns, to be financed by the incurring of debt.

FISCAL IMPACT SUMMARY	
Category	Total Authorizations
Public Improvements	\$28,060,000
Transportation Assistance	\$9,559,000
Redevelopment Assistance	\$298,250,000
TOTAL	\$335,869,000

House Bill 2289 authorizes a total of **\$335,869,000** for projects across the above mentioned categories, all of which can be financed by the sale of bonds. The additional cost to the Commonwealth cannot be determined at this time since project funding decisions have yet to be made and the interest rate on the bonds will be determined at the time of sale.

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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.*