



## HOUSE COMMITTEE ON APPROPRIATIONS

# FISCAL NOTE

HOUSE BILL NO. 1916

PRINTERS NO. 3298

PRIME SPONSOR: Millard

### COST / (SAVINGS)

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

**SUMMARY:** House Bill 1916 provides for a freestanding act to be known as the Flood Control and Disaster Mitigation Itemization Act of 2012. The effective date is immediately after enactment.

**ANALYSIS:** The bill provides financial assistance for damages to state owned property and for public property not owned by the Commonwealth, but qualifying for FEMA or U.S. Army Corps of Engineers assistance, resulting from Hurricane Irene and Tropical Storm Lee in late August and early September 2011.

Chapter 3 of the bill itemizes 62 projects totaling \$6,171,000. For purposes of administration and procurement, the projects shall be considered public improvement projects under the provisions of the Capital Facilities Debt Enabling Act. The projects itemized in Chapter 3 are owned by the Commonwealth and will be financed with a portion of accrued interest earnings held by the Commonwealth Financing Authority.

Chapter 5 of the bill itemizes 30 disaster mitigation and assistance projects totaling \$61,791,000. These are projects which are public property not owned by the Commonwealth and will be financed with a portion of accrued interest earnings held by the Commonwealth Financing Authority. Projects under this section qualify for State funding only if they receive Federal funding through the Stafford program (provides 75% assistance through FEMA) or the U.S. Army Corps of Engineers program (provides 80% assistance by U.S. Army Corps of Engineers). The remainder of the assistance is provided by the Commonwealth and local governments. For projects receiving Federal funding under the Stafford program, the Federal government provides 75% of the assistance, local governments provide up to 3% of the assistance and the Commonwealth provides the balance up to but not exceeding 22% of project cost. The maximum total Commonwealth assistance for the disaster mitigation and assistance projects may not exceed \$15,548,000.

**FISCAL IMPACT:** The enactment of House Bill 1916 will have no adverse impact on Commonwealth funds. Required Commonwealth funding for projects shall be obtained from retained interest earnings held by the Commonwealth Financing Authority (CFA), an independent authority created by Act 22 of 2004 ("Act 22"). While the authorization provided in the bill is higher, the maximum amount of the Commonwealth share of HB 1916 project expenses that may need to be transferred from CFA interest earnings is \$19,765,020 (\$6,171,000 for Chapter 3 projects and \$13,594,020 for Chapter 5 projects since the State share shall not exceed 22% of total project costs ( $\$61,791,000 \times 0.22 = \$13,594,020$ )).

Act 22 gave the CFA the authority to issue up to \$1.135 Billion in revenue bonds for a number of economic stimulus and loan guarantee programs. To date, the CFA has issued \$750,000,000 in bonds under the authority of Act 22. Act 1 of Special Session 1 of 2008 (“Act 1”) gave the CFA the authority to issues \$500,000,000 for the development and promotion of alternative energy projects and programs. To date, the CFA has issued \$242,000,000 in bonds under the authority of Act 1.

The use of CFA interest earnings to fund the Commonwealth share of projects itemized in House Bill 1916 is not anticipated to have any negative impact on the operations of the CFA or debt service coverage for its revenue bonds. The General Fund has been the prime source of funding for CFA Act 22 and Act 1 debt service. Through the end of fiscal 2011-12, General Fund appropriations will have provided \$380,282,000 of the total \$383,831,924 in CFA debt service for this period.

Through February 29, 2012, the CFA has a balance of \$29,259,608 of available funds from retained interest earnings and application fee income. This balance is projected to change by no more than \$500,000 by the end of 2011-12 to cover additional CFA operational expenses. Debt service in 2012-13 on existing Act 22 and Act 1 debt is \$82,016,528. The Governor’s 2012-13 budget recommends an appropriation of \$82,019,000 to cover Act 22 and Act 1 debt service. It is anticipated that another \$142,000,000 in Act 1 bonds will be issued in early 2012-13, with an estimated interest payment on these bonds of approximately \$4,600,000 by the end of 2012-13. Therefore, CFA current funds on hand, after the maximum transfer of \$19,765,020 to cover Flood Control and Disaster Mitigation Itemization Act projects, will be sufficient to cover CFA operational expenses, loan guarantee expenses that may be called and debt service expenses not covered by the General Fund.

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**DATE:** March 30, 2012

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