



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 166

PRINTERS NO. 1431

PRIME SPONSOR: Hughes

CATEGORY	FY 2017-2018	SB 166 FY 2019-2020	INC/(DEC)
Public Improvement Projects— Buildings & Structures	\$680,000,000	\$550,000,000	(\$130,000,000)
Public Improvement Projects— Furniture & Equipment	\$10,000,000	\$10,000,000	\$0
Transportation Assistance	\$350,000,000	\$175,000,000	(\$175,000,000)
Redevelopment Assistance	\$175,000,000	\$275,000,000	\$100,000,000
Flood Control Projects	\$10,000,000	\$0	(\$10,000,000)
<b>TOTAL</b>	<b>\$1,225,000,000</b>	<b>\$1,010,000,000</b>	<b>(\$215,000,000)</b>

**SUMMARY:** Senate Bill 166, printer's number 1431, provides for the Capital Budget Act of 2019-2020 and for limitation on redevelopment assistance capital projects. A limited repeal is also made by the bill.

The legislation takes effect July 1, 2019, or immediately, whichever is later.

**ANALYSIS:** The bill specifies the maximum principal amount of debt to be incurred during the 2019-2020 fiscal year for capital projects itemized in a capital project itemization bill. There was no Capital Budget Act enacted for 2018-19.

The bill also adds a section to the Capital Budget Act to decrease the maximum amount of redevelopment assistance capital project (RACP) debt that may be outstanding by \$50,000,000 each July 1, beginning July 1, 2022. The annual \$50,000,000 decreases shall continue until the sum of the outstanding obligations equals \$2,975,000,000. Section 317(b) of the Capital Facilities Debt Enabling Act is repealed by the bill to effectuate the addition of the new section to the Capital Budget Act of 2019-2020. Section 317(b) is the statute that provides the current RACP debt outstanding cap.

**FISCAL IMPACT:** In addition to the amortization of the principal amount of bonds, the Commonwealth will incur the additional cost for the interest on the bonds that are sold. While the exact costs cannot be determined since costs will be dependent upon the timing

of bond sales and interest rates at the time of the sale, estimated debt service on each \$100,000,000 of bonds sold would be \$134,431,000 assuming level annual debt service and an interest rate of 3.0%. Estimated annual debt service assuming the same interest rate and level annual debt service would be \$6,722,000 for twenty years. If the full authorization of \$1,010,000,000 were sold at an interest rate of 3.0%, total estimated debt service would be \$1,357,757,000 or \$67,888,000 each year for twenty years.

Regarding the decreases in RACP debt outstanding limit, debt service payment obligations of the Commonwealth will decrease in the future to the extent RACP debt issuance decreases due to the mandated reduction in the RACP maximum debt outstanding cap. While exact savings cannot be determined since debt service costs will be dependent upon the amount, timing and interest rates of future bond sales, an estimate of debt service payments that can be avoided based on each \$50,000,000 of bonds not sold, assuming level principal amortization methodology and an interest rate of 3.0%, will be \$65,750,000 over 20 years. Level principal amortization is assumed because per Act 43 of 2019, beginning July 1, 2021, all capital projects debt issued, except for refunding bonds, must be amortized using an equal annual maturities plan (level principal payments over the life of the bonds).

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House Appropriations Committee (R)

**DATE:** December 17, 2019

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