



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2328

PRINTER'S NO. 3383

PRIME SPONSOR: Harris

COST / (SAVINGS)

FUND	FY 2023/24	FY 2024/25
General Fund	\$0	See Fiscal Impact

SUMMARY:

House Bill 2328 provides for the capital budget for the 2024/25 fiscal year, authorizing the overall limitations on debt to be incurred for capital projects.

ANALYSIS:

This bill authorizes up to a total of \$1.495 billion in additional principal debt to be issued by the commonwealth to pay for capital projects specifically itemized in a capital budget project itemization bill. Debt is specifically authorized by capital category as follows:

Category	Authorization
Public Improvement Projects: Buildings and structures	\$ 1,000,000,000
Public Improvement Projects: Furniture and equipment	\$ 20,000,000
Transportation Assistance Projects	\$ 175,000,000
Redevelopment Assistance Projects	\$ 300,000,000
Flood Control Projects	\$ -
Total	\$ 1,495,000,000

Debt can be incurred in the 2024/25 fiscal year or thereafter until the enactment of the 2025/26 capital budget, up to the maximum amounts laid out in the bill.

This bill also repeals Section 2.1(2) of the Capital Budget Act of 2019-2020. The repealed section had implemented a phase down of the outstanding debt limitation on redevelopment assistance capital projects (RACP) from \$3.35 billion (pre-2018/19) to \$3.1 billion (post-2022/23). Without this provision, the outstanding debt limitation for RACP reverts to \$3.35 billion.

FISCAL IMPACT:

In addition to the principal repayments, the commonwealth will incur interest costs on the bonds sold. The timing of principal and interest payments depends on when a bond sale is executed by the Governor, in concert with the Treasurer and Auditor General. Similarly, the interest rate that the commonwealth achieves depends both on its fiscal condition and creditworthiness as well as prevailing market conditions at the time of the sale. Interest rates can vary significantly over time. Act 43 of 2019 requires general obligation debt issued for the capital budget after July 1, 2021, to use the equal annual maturities amortization schedule, also known as level principal. Under this methodology, equal amounts of principal are retired each year over the life of the bond issuance. This causes initial debt service to be highest in year 1, declining each year thereafter until the last year. Assuming all the authorized bonds are issued simultaneously, with a 20-year term and use of the level principal amortization method, the

following would be the peak debt service amount (occurring in the first year) and total repayments of the life of the bonds, under different interest rate scenarios:

Interest Rate	Peak Debt Service (Year 1)	Total Repayment
4.0%	\$134,550,000	\$2,122,900,000
4.5%	\$142,025,000	\$2,201,387,500
5.0%	\$149,500,000	\$2,279,875,000
5.5%	\$156,975,000	\$2,358,362,500
6.0%	\$164,450,000	\$2,436,850,000
6.5%	\$171,925,000	\$2,515,337,500

Bond proceeds from general obligation bonds sold for the capital budget are deposited into the Capital Facilities Fund. The net proceeds from a bond issuance depend on the amount of principal sold, but also on the premium or discount received from the sale.

The bill will also impact commonwealth funds by increasing the debt limit for redevelopment assistance capital projects from \$3.1 billion to \$3.35 billion.

PREPARED BY: Chris Fetterman
House Appropriations Committee (D)

DATE: June 27, 2024

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