

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 493

**PRINTER'S NO.** 771

**AMOUNT**

No Immediate Fiscal Impact

**FUND**

General Fund  
Reduction in RACP Debt Limit

**DATE INTRODUCED**

February 4, 2013

**PRIME SPONSOR**

Representative Gabler

**HISTORY OF BILL**

Referred to FINANCE, Feb. 4, 2013  
Reported as committed, Feb. 6, 2013  
First consideration, Feb. 6, 2013  
Laid on the table, Feb. 6, 2013  
Removed from table, Feb. 7, 2013  
Second consideration, Feb. 11, 2013  
Re-committed to APPROPRIATIONS, Feb. 11, 2013  
Re-reported as amended, Feb. 12, 2013  
Third consideration and final passage, Feb. 13, 2013 (194-2)  
(Remarks see House Journal Page ), Feb. 13, 2013  
In the Senate  
Referred to APPROPRIATIONS, June 5, 2013  
Reported as committed, June 17, 2013  
First consideration, June 17, 2013

**DESCRIPTION AND PURPOSE OF BILL**

House Bill 493 amends the Capital Facilities Debt Enabling Act (Act of February 9, 1999, P.L. 1, No. 1) to provide for guidelines of the Redevelopment Assistance Capital Project (RACP) provisions of the act, outline procedures for capital project itemization bills and procedures and fiscal limitations for debt-authorizing legislation.

Specifically, this legislation does the following:

- Adds several definitions of certain words or phrases to the act;
- Makes technical changes to the definitions of "capital project" and "redevelopment assistance capital project;"
- Expands the types of eligible RACP projects to include storm water or sewer infrastructure or tunnels, bridges and roads if they are associated with an economic development project. The project needs to generate substantial increases in, or maintain current levels of, economic activity. The project will have substantial regional or multijurisdictional economic impact. The project will have a total project cost of at least \$1 million which includes at least a 50% non-State funding participation;

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- Requires the Governor to submit a capital budget bill authorizing the maximum amount of general obligation debt to be incurred in the ensuing fiscal year for each category of capital projects which have been specifically itemized in a capital project itemization act;
- Makes technical changes to the requirement that the Secretary of the Budget provide the House and Senate Appropriations Committees with a quarterly report relating to RACP projects. The report must contain the following:
  1. An itemized list of the RACP projects approved in the preceding quarter;
  2. An estimate of the amount of funds remaining under the cap;
  3. An estimate of the total outstanding debt related to RACP projects;
  4. An estimate of the outstanding debt related to RACP projects which will be paid in the next four quarters.
- Immediately decreases the RACP debt limit from \$4.05 billion to \$3.45 billion, a decrease of \$600 million;
- Increases the amount permitted to be used for housing units from \$25 million to \$50 million;
- Prohibits any redevelopment assistance capital project from receiving funds unless the project was itemized in a capital budget project itemization bill, a capital budget bill or a capital project itemization bill enacted within 10 years of the date of approval from the Governor's Office of the Budget;
- Outlines provisions related to the administration of redevelopment assistance capital projects, such as the application, acceptance and grant agreement and execution processes;
- Requires the Governor's Office of the Budget to establish guidelines concerning the administration of and approval process for RACP projects within 60 days after the bill has become law. Guidelines shall include application timelines, application content and the review, evaluation and award criteria and process;
- Requires the Governor's Office of the Budget to post on its website the date of approval of the project, the name of the applicant, a description of the project, the location of the project (including the municipality in which it is located) and the amount of the project grant approved for the project when a RACP project is approved.

This act shall take effect immediately.

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### **FISCAL IMPACT:**

House Bill 493 will have no immediate fiscal impact on Commonwealth funds, but will reduce the Commonwealth's Redevelopment Assistance Capital Projects related debt limit by \$600 million.

As RACP debt issuance decreases due to the mandated reduction of \$600 million in the RACP maximum debt outstanding cap, debt service payment obligations of the Commonwealth will also decrease. While exact savings cannot be determined since debt service costs will be dependent upon the timing of bond sales and interest rates at the time of the sales, an estimate of debt service payments that can be avoided based on each \$100 million of bonds not sold, assuming level annual debt service and an interest rate of 3.5%, will be \$7,036,108 annually or \$140,722,000 over 20 years.

Costs associated with the preparation of RACP guidelines and posting requirements on the Governor's Budget Office's website are expected to be minimal and capable of being absorbed within the Office's existing fiscal resources.

The enactment of this legislation will have no adverse fiscal impact on Commonwealth funds.