

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 2420

PRINTER'S NO. 4243

AMOUNT

No Immediate Fiscal Impact

FUND

General Fund
Reduction in RACP Debt Limit

DATE INTRODUCED

July 29, 2013

PRIME SPONSOR

Representative Benninghoff

DESCRIPTION AND PURPOSE OF BILL

House Bill 2420 amends the Capital Facilities Debt Enabling Act (Act of February 9, 1999, P.L. 1, No. 1) to provide for a reduction in the Commonwealth's outstanding debt related to Redevelopment Assistance Capital Projects (RACP) and to require the approval of the Commonwealth Financing Authority for all RACP applications.

Specifically, this legislation does the following:

- Amends Section 317(b) by reducing the current cap of \$3,450,000,000 on the maximum amount of outstanding RACP debt to \$2,950,000,000. This \$500 million reduction is to occur over a 10 year period beginning July 1, 2018 and shall be decreased at the rate of \$50 million per year on each July 1 thereafter; and
- Amends Section 318 by adding language that requires the Governor's Office of the Budget to submit RACP applications to the Commonwealth Financing Authority for approval.

This act shall take effect immediately.

FISCAL IMPACT:

Enactment of this legislation will have no immediate fiscal impact on Commonwealth funds, but will reduce the Commonwealth's Redevelopment Assistance Capital Projects related debt limit by \$500 million.

As RACP debt issuance decreases due to the mandated reduction of \$500 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 \$50 million of bonds not sold, assuming level annual debt service and an interest rate of 3.8%, will be \$3,614,000 annually or \$72,285,000 over 20 years.