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MEMORANDUM

TO: All House Members

FROM: Representative Mike Turzai
Republican Leader

DATE: January 17, 2012

SUBJECT: *Redevelopment Assistance Capital Project (RACP) Reform*

In the immediate future, I will introduce legislation to completely reform the Redevelopment Assistance Capital Project (RACP) grant program. My office has worked with members on both sides of the aisle and this legislation incorporates common sense changes to bring this program (and the resulting debt load) to a more responsible and manageable level.

By way of background, members should understand that the RACP program was established in statute in 1999 with an initial debt ceiling of \$1.2 billion. The debt ceiling was raised six (6) times since 1999 and is currently at **\$4.05 billion**. There are approximately 8,000 RACP projects itemized in the nine (9) Itemization Acts that have passed since 1999. Most of these projects have not yet been authorized. This "wish list," if fully funded, would create tens of billions of dollars in debt that would take the better part of this century to repay.

The following is a basic outline of the provisions of this legislation:

A. RACP Debt Reduction:

This legislation would immediately decrease the authority of the Commonwealth to incur debt for the purposes of RACP projects. No new projects may be authorized until existing RACP project commitments fall **below \$3 billion**. In each year thereafter, the debt ceiling for RACP projects would be decreased by \$150 million **until the debt ceiling for RACP project reaches \$1.5 billion**.

B. Redefining RACP:

This legislation would shift the emphasis of RACP projects to infrastructure (i.e. roads, bridges, tunnels, waste disposal, storm water, sewage or water infrastructure; bridges or roads when part of a business or industrial park facility) projects with a total cost of \$1 million or more. An eligible project must generate substantial economic activity (e.g. substantial increases in employment or tax revenues) and have a substantial regional or multijurisdictional economic impact.

Projects on the current Itemization list that have not been authorized as of December 31, 2012 would expire. To be relisted in any future Itemization Acts, a project must comply with all new RACP requirements.

The current law allows the list of itemized projects (the "wish list") to exist in perpetuity. Projects under the reformed RACP program would expire after two (2) years and would need to be relisted.

Itemized capital projects must be listed under specific categories and contain a specific description of the capital project, including the senatorial and legislative district in which the project is located; the estimated cost of the project; and the fund to be charged with the repayment of the obligation to be incurred.

C. Stringent Review and Approval Process:

Under this proposal, applicants must submit an application to the Office of Budget requesting the grant for an RCAP which is included in the itemization bill. In addition to specifics about the individual project (name and address of the applicant, cost and location of the project), the applicant must ensure that the project is consistent with any existing comprehensive county plan where the project is located.

The applicant must also ensure that the county and municipal governing bodies where the project is located have been notified of the project; and, that the applicant has held at least one public informational meeting on the RCAP project within ten (10) miles of the project.

This legislation ensures that the secretary considers the likelihood that the infrastructure will be used upon project completion; whether the project will enable future employment opportunities or have a net positive economic impact on the surrounding community; whether the project is "shovel ready" (i.e. will commence within six months of approval), prior to an grant application being approved. The secretary is also required to hold at least one public informational meeting on any RACP project being considered for approval.

Once the requirements have been met and a public information meeting has been held, the secretary may approve the proposal. If approved, the office shall notify the applicant and the Majority and Minority Chairs of the House and Senate

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Appropriations Committees as well as the state senator and state representative in whose districts the RACP project is located prior to execution of a contract.

Applicants will have a maximum of six (6) months to submit the required applications and contracts. No contract may be executed if the applicant fails to submit an executed contract within six (6) months.

Finally, no RACP project may be approved in the period between the date of a general election at which a Governor is elected and the third Tuesday of January next following the election.

It's time that state government do what millions of Pennsylvanians are doing already – living within their means; paying down their debts and ensuring that their children have the opportunities that they themselves didn't have. It's time to get our fiscal house in order and rein in this much maligned grant program.

This bill offers responsible reforms that decrease our debts. At the same time, it ensures that these grants stimulate regional economic growth in an open, transparent, process. Taxpayers deserve no less. I urge you to cosponsor this milestone reform by contacting Stacy Bowie in my Harrisburg office at (717) 772-9943, or email sbowie@pahousegop.com.

Thank you your attention to this correspondence. Please do not hesitate to contact me if you have any questions or concerns about this proposal.

MCT/sb