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**MEMORANDUM**

**TO: All House Members**

**FROM: Representative Mike Turzai  
Republican Leader**

**DATE: January 25, 2012**

**SUBJECT: Updated Co-sponsorship Memo - Redevelopment Assistance Capital Project (RACP) Debt Reduction**

Recently, I sent a co-sponsorship memorandum to legislators relating to reforming RACP and the response to the initial co-sponsorship memo was extraordinary. Since I sent that memo, I have continued my discussions with members of the House and the Governor's Office in an effort to develop consensus on the issue and move a bill through the legislative process with all due speed.

Those conversations have been very useful to this process and the legislation has undergone some revision. While I plan to communicate with each member who has already agreed to cosponsor this legislation personally, I wanted to offer an updated explanation of the bill and its intent for members who had not yet decided to cosponsor the bill.

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 debt ceiling (the authority of the Commonwealth to incur debt) for the purposes of RACP projects by over a half a billion dollars, or **\$3.5 billion**. For the next 8 years, the debt ceiling for RACP projects would

be decreased by \$50 million. Then, in 2020, the pay-down of the debt ceiling would accelerate to \$150 million per year **until the debt ceiling for RACP projects drops to \$1.5 billion.**

These changes were incorporated to facilitate two goals: to responsibly lower the debt ceiling while maintaining a viable (however reformed) economic development grant program.

### **B. Redefining RACP:**

This legislation would shift the emphasis of RACP projects to buildings and related 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 and 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, 2011 would expire. To be relisted in any future Itemization Acts, a project must comply with all new RACP requirements.

Also, the current law allows the list of itemized projects (the "wish list") to exist in perpetuity. Under this proposal, projects under the reformed RACP program would expire after ten (10) 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 municipality 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 RACP 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 hold at least one public informational meeting on the RACP project within ten (10) miles of the project.

The Office of Budget ("office") is required to develop guidelines concerning the administration of, and approval process for, RACP. At a minimum, the office must establish application timelines, application content and the review, evaluation and award criteria and process. The office is permitted to give preference to an applicant that has at least 75% non-State financial participation. All guidelines must be posted on the office's Internet website.

Once the office determines that all the requirements have been met, the office may approve the application. If approved, the office shall notify the applicant and the

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Majority and Minority Leaders of the House and Senate, the President Pro Tempore of the Senate, the Speaker and Majority and Minority Chairs of the House and Senate Appropriations Committees.

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 contact Stacy Bowie in my Harrisburg office at (717) 772-9943, or email [sbowie@pahousegop.com](mailto:sbowie@pahousegop.com), and ask to have your name added to the list of cosponsors of **House Bill 2175**.

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