

Veto No. 1987-1

HB 1357

July 13, 1987

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I return herewith without my approval, House Bill 1357, Printer's Number 2035, entitled "An act amending the act of April 9, 1929 (P.L.343, No.176), entitled, as amended, 'An act relating to the finances of the State government; providing for the settlement, assessment, collection, and lien of taxes, bonus, and all other accounts due the Commonwealth, the collection and recovery of fees and other money or property due or belonging to the Commonwealth, or any agency thereof, including escheated property and the proceeds of its sale, the custody and disbursement or other disposition of funds and securities belonging to or in the possession of the Commonwealth, and the settlement of claims against the Commonwealth, the resettlement of accounts and appeals to the courts, refunds of moneys erroneously paid to the Commonwealth, auditing the accounts of the Commonwealth and all agencies thereof, of all public officers collecting moneys payable to the Commonwealth, or any agency thereof, and all receipts of appropriations from the Commonwealth, authorizing the Commonwealth to issue tax anticipation notes to defray current expenses, implementing the provisions of section 7(a) of Article VIII of the Constitution of Pennsylvania authorizing and restricting the incurring of certain debt and imposing penalties; affecting every department, board, commission, and officer of the State government, every political subdivision of the State, and certain officers of such subdivisions, every person, association, and corporation required to pay, assess, or collect taxes, or to make returns or reports under the laws imposing taxes for State purposes, or to pay license fees or other moneys to the Commonwealth, or any agency thereof, every State depository and every debtor or creditor of the Commonwealth,' further providing for what may constitute a Redevelopment Assistance Capital Project and for the Redevelopment Assistance Sinking Fund."

This bill amends The Fiscal Code to do two things: reduce the total project cost for development assistance capital projects from \$5 million to \$1 million for municipalities which have been designated as "financially disadvantaged" under provisions of the Financially Disadvantaged Municipalities Matching Assistance Act, and increase the cap on the amount of funds which can be transferred into the Redevelopment Assistance Sinking Fund for the repayment of principal and interest on bonds issued for redevelopment assistance capital projects from \$30 million to \$40 million.

Senate Bill 814, Printer's Number 1280 is also before me for approval. This bill also amends The Fiscal Code and contains a similar provision concerning financially disadvantaged municipalities, but eliminates the Sinking Fund in favor of placing a cap on the overall amount of redevelopment assistance capital projects for which bonds may be issued.

The cap on the amount of money which can be transferred into the Sinking Fund for the repayment of principal and interest on redevelopment assistance bonds does not allow for proper project planning and implementation. In periods of rising interest rates, the original number of project commitments based on one interest rate must be reduced if market interest rates rise by the time the bonds are issued. At interest rate levels available in early 1987, we were able to plan a bond schedule which would finance those projects for which we had commitments. Since March 1987, however, market interest rates have risen rapidly. Because of the \$30 million annual debt service cap currently in law, we would be required to either reduce project commitments or stretch out project payments. Either option will hinder the completion of these projects.

The provision contained in Senate Bill 814 which deletes this cap and replaces it with a cap on the amount of projects for which bonds may be issued is a better means of assuring the affordability of these capital projects for the Commonwealth. Since Senate Bill 814 also contains the provision regarding the lowering of the project cost for financially disadvantaged municipalities, I have chosen to approve that bill and withhold my approval from House Bill 1357.

ROBERT P. CASEY