



Redevelopment Assistance Capital Program

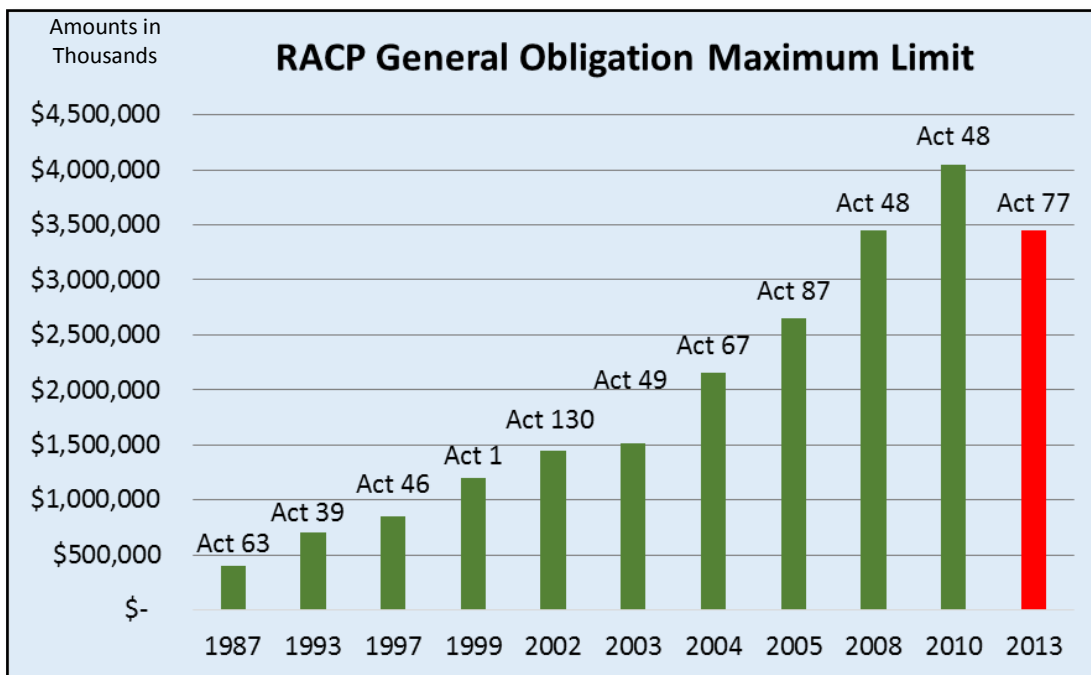
The Redevelopment Assistance Capital Program is a commonwealth grant that helps communities develop and pay for regional economic, cultural, civic and historical improvement projects. RACP projects, administered by the Office of the Budget, are funded with bond financing. Payments to grantees are made as reimbursements.

Legislative History

RACP (more commonly called “R-CAP”) began in 1986 with an initial investment of \$400 million to fund eligible projects via Act 63 of 1987.

Since the enactment of the Capital Facilities Debt Enabling Act (Act 1 of 1999), the executive branch determines how many projects can be financed within a legislatively authorized maximum debt limit.

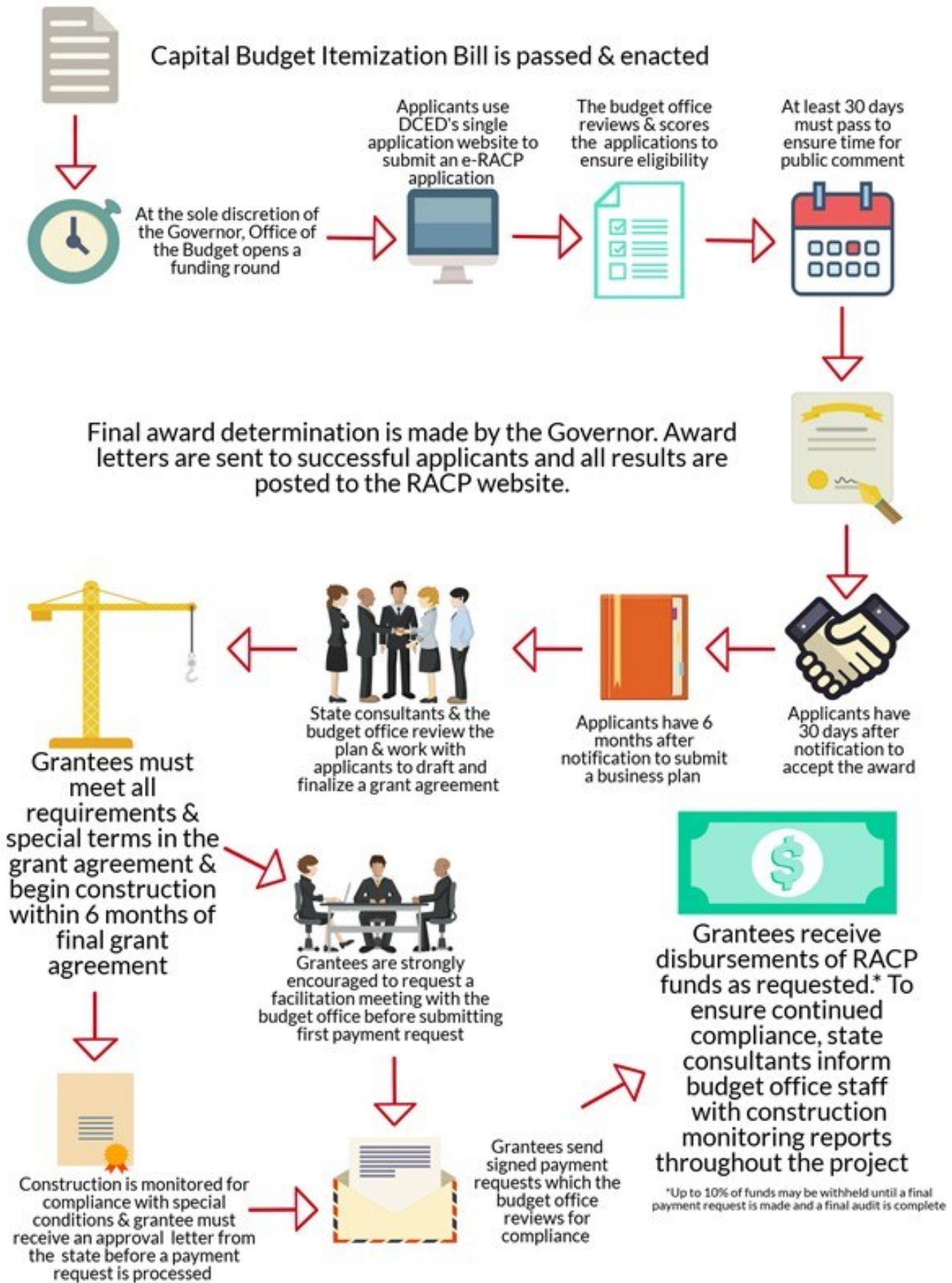
Currently set at \$3.45 billion, the chart below provides a history of limits on the general obligation borrowing authority for funding RACP. As debt is retired annually, additional money is available to spend so long as the maximum amount of debt outstanding is never more than the maximum established in law.



In addition to the Capital Facilities Debt Enabling Act, two other types of legislation directly impact RACP:

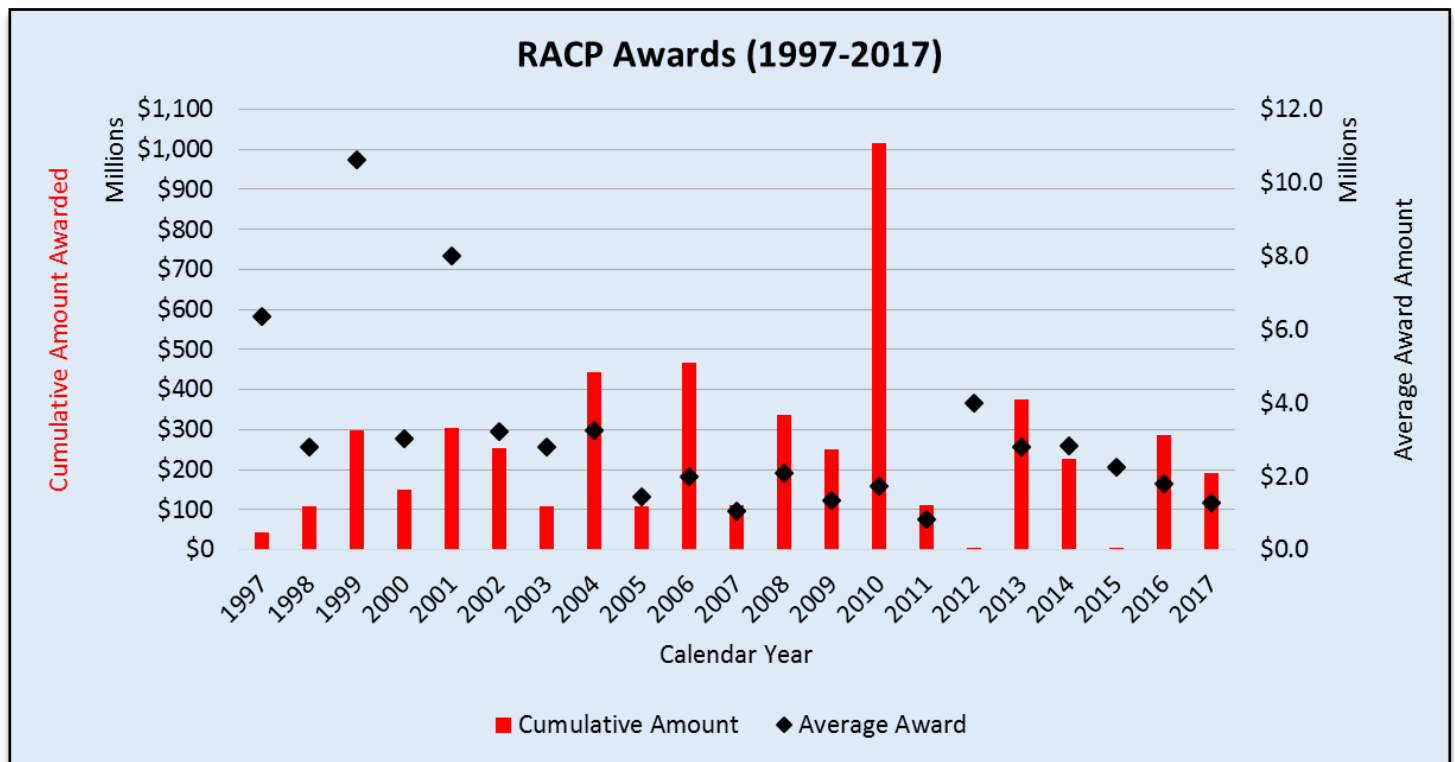
1. The Capital Budget Act establishes the maximum amount of debt that may be issued during a fiscal year for all capital projects. The bill creating this act – the Capital Budget bill -- is required by the Pennsylvania Constitution to be enacted annually with other budget-related legislation.
2. In addition to the Capital Budget Act, other, separate project itemization acts list individual projects that may be financed. This legislation, the “capital budget itemization act,” is enacted *ad hoc*.

RACP Process



RACP Award Amounts Examined

Over the past two decades, RACP general obligation borrowing authority steadily and significantly increased, but average RACP awards have significantly decreased (see chart below). The power to decide how many projects are funded and the specific award amounts are decided by the executive branch. Governors decide how they will approach RACP, and these decisions have greatly varied during the grant program's history.



The result of differing approaches from different governors since RACP was modified in 1999 has been a downward trend in average award amounts from \$10.6 million in 1999 to \$1.3 million in 2017, an 88 percent decrease.

Policymakers created RACP because they recognized that some local capital improvement projects are cost-prohibitive to finance -- despite their high-value benefit -- without state bonding assistance.

Who Can Apply for an RACP?

To qualify for an RACP grant, an applicant must either be a redevelopment authority, industrial development authority, general purpose unit of local government, or any other public authority established pursuant to the laws of the commonwealth; or an industrial development agency, as defined under the Capital Debt Facilities Enabling Act; or a local development district that partners with a general purpose unit of local government under which the local government unit assumes ultimate responsibility for debt incurred.

What Projects are Eligible for RACP?

All projects must have authorization in the redevelopment assistance section of a capital budget itemization act (itemizations sunset after 10 years). Projects should not be able to obtain primary capital funding from other state grant programs. A project must be eligible for tax-exempt bond funding under existing federal law and regulations.

A project seeking RACP itemization should be economic development, hospital facility, housing, or community assets that can count a total project cost of at least \$1 million. Applicants commonly include road and sewer infrastructure improvements as associated costs for these projects. Community asset projects are cultural, recreational, historical, or civically significant projects, which provide significant benefit or improvement to a community.

A proposed project’s impact requirements should be regional or multi-jurisdictional, but this does not apply to housing. Housing must be part of a community revitalization plan. Projects should generate substantial increases in or maintain current levels of employment, tax revenues or other measures of economic activity unless it is a community asset or housing project.

When applying applicants must document all sources of matching funds (50 percent of total project cost) as firm commitments. Sources of matching funds can be local, private, and/or federal (The only non-cash, non-state match permitted is land or fixed assets, which have a substantial useful life and are directly related to the project). Funds from other state sources, including legislative sources, may not be used as match. At least half of the matching funds (25 percent of total project cost) must be secured when applying. The table below shows what project expenses are eligible for each stream of funding involved.

Project Costs Eligible for Reimbursement	Project Costs Eligible for Matching Funds
Construction costs should be the primary expense	Funds reserved for future maintenance and operation of facilities (Up to 15% total project cost)
Interest paid during construction	Administrative fees
Permits needed for construction	Legal fees
Land purchased for the project	Accounting or finance costs
Other costs related to acquisition and abatement	Other professional services used for planning, design, and construction of the project

For More Information

The [Redevelopment Assistance Capital Program website](#) outlines each administration’s guidelines, application process and timeframe for awarding RACP grants.

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