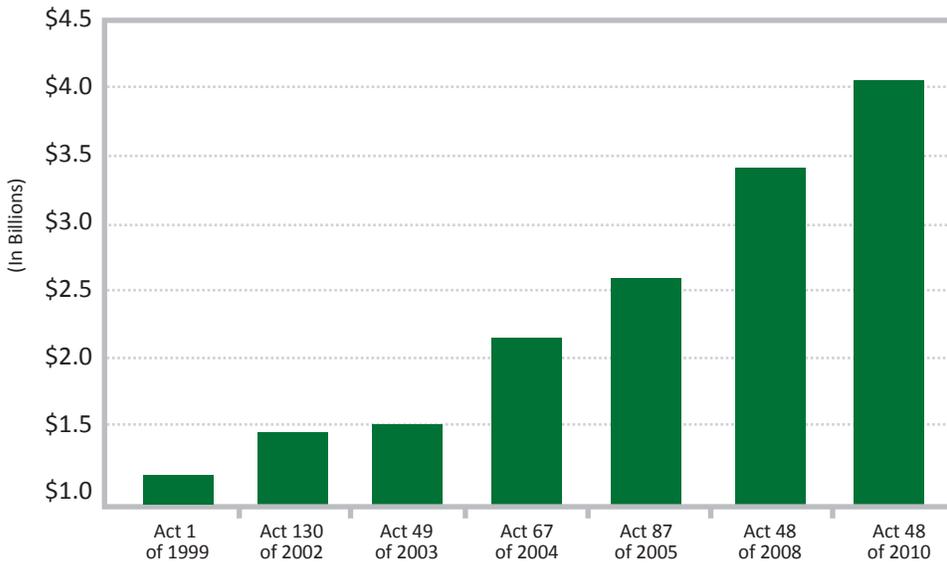


THE McCord Report

A quarterly look at Pennsylvania's economic vital signs

Changes to Redevelopment Assistance Capital Program Borrowing Cap

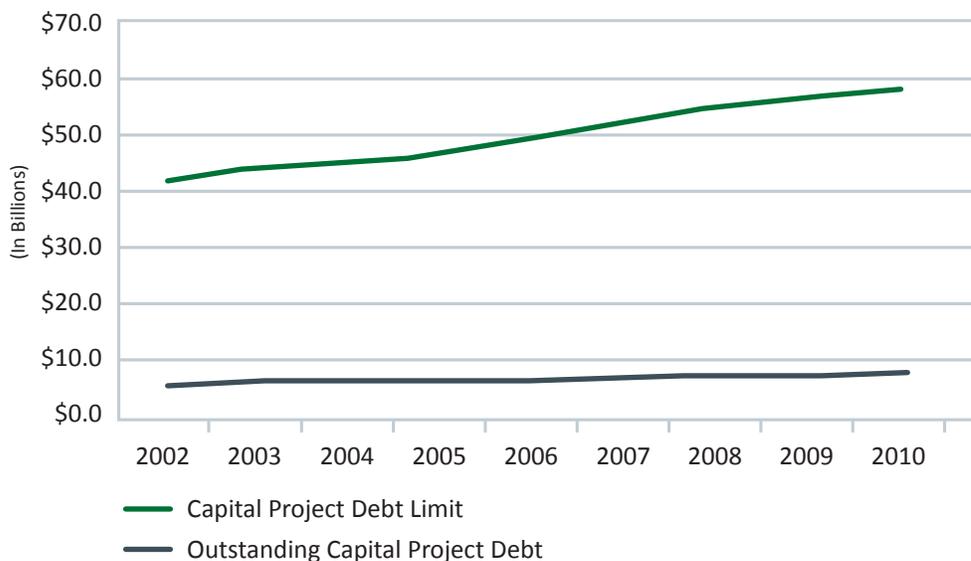
The Commonwealth originally financed the Redevelopment Assistance Capital Program with \$400 million in borrowed funds in 1986. The chart below illustrates the authorized increase in debt to fund the program since 1999. There were two increases in the interim: Act 39 of 1993 increased the program's debt limit to \$700 million, while Act 46 of 1997 increased it to \$850 million.



Source: PA Budget Office

Capital Budget Debt to Debt Limit Comparison

The state Constitution limits outstanding capital budget debt to 1.75 times the average tax revenues during the previous five fiscal years. This chart compares Pennsylvania's actual outstanding General Obligation capital debt to the state's Constitutional debt limit.



Source: PA Budget Office, Comprehensive Annual Financial Reports

Capital Budget Process

This graphic illustrates how Pennsylvania's capital budget works.

STEP 1



The General Assembly votes to **authorize** spending amounts for specified capital projects. This bill becomes law with the Governor's signature.

STEP 2



The Governor and the Budget Office select projects from past capital budget acts and specify amounts to be **released** for funding for each selected project.

STEP 3



Projects approved for funding apply for **reimbursement** of incurred costs, **drawing** down from the amount released for funding.

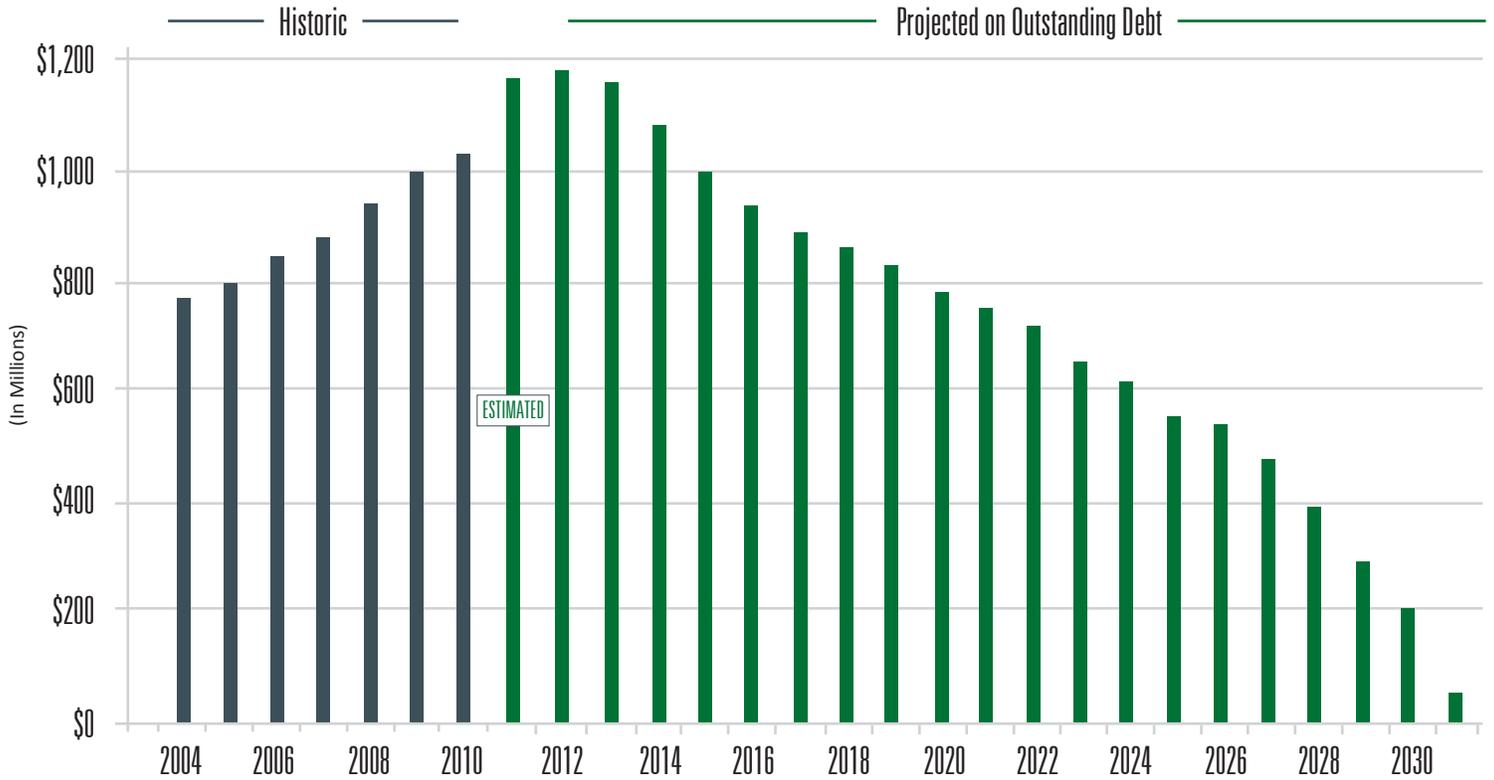
STEP 4



The Commonwealth issues **bonds** subject to the borrowing cap to cover cash flow needs.

Annual Debt Service (Principal & Interest)

Debt service refers to the costs associated with borrowing money. Pennsylvania’s Budget Office projects the debt service on Commonwealth debt through fiscal year 2030-31. The graph below illustrates those projections, as well as actual borrowing costs since 2004 to present. Projected costs reflect outstanding general obligation debt as of the end of calendar year 2010, but do not include the additional costs of future bond issues.

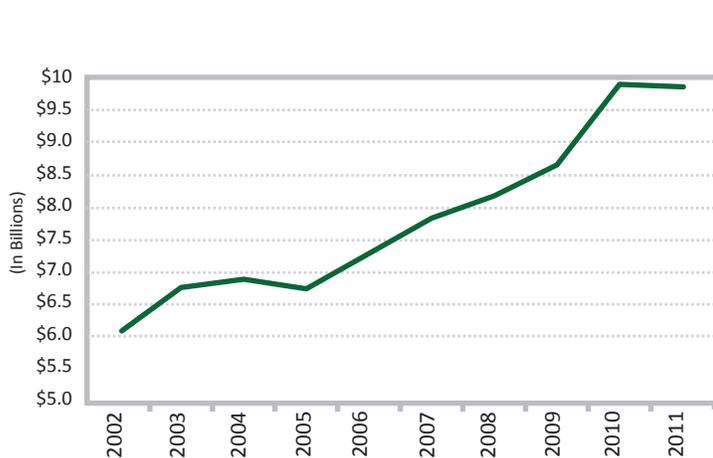


Source: PA Office of the Budget

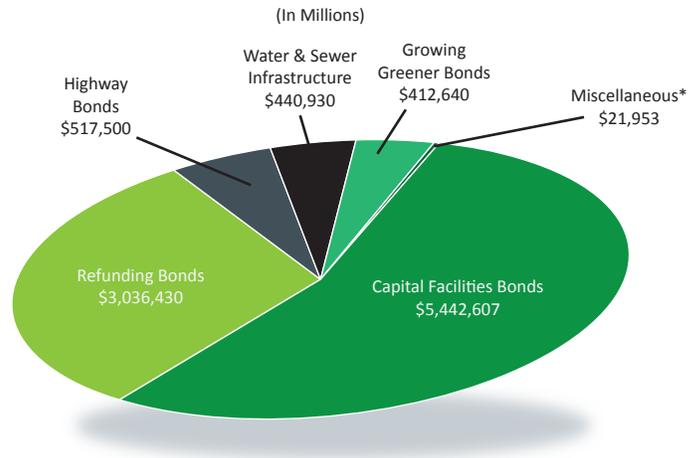
**PA'S UNFUNDED COST FOR PROJECTS SELECTED FOR RELEASE:
APPROXIMATELY \$5.2 BILLION**

Net General Obligation Debt Outstanding

Pennsylvania’s general obligation debt is backed by revenues of the Commonwealth. The line graph below shows the change in Pennsylvania’s outstanding net general obligation debt since 2002, while the pie chart breaks down the share of outstanding debt by its intended purpose.



Source: PA Budget Office



Source: PA Department of Budget, Preliminary Official Statement for 2011 Bond Issue
*Miscellaneous Debt includes: Volunteer Companies’ Loan Bonds, Persian Gulf Conflict Veterans, Local Criminal Justice Bonds, Agricultural Conservation Easement Bonds, PA Economic Revitalization Bonds, and Land & Water Development Bonds

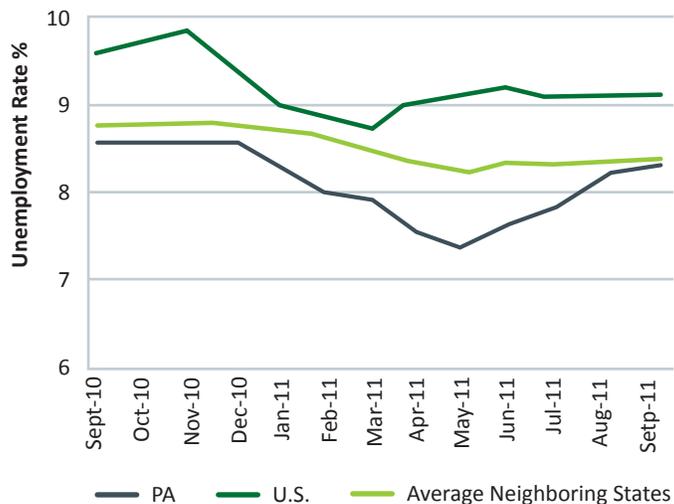
Capital Project Funding Per Capita

See the 10 counties for which Pennsylvania has released the most capital project funding – although not necessarily spent – per person.

County	Release Amount	Amount per Capita
Lackawanna County	\$78,500,000	\$375.96
Philadelphia County	\$467,540,000	\$302.17
Union County	\$11,500,000	\$264.00
Greene County	\$8,800,000	\$224.23
Elk County	\$6,000,000	\$187.44
Clearfield County	\$13,800,000	\$167.63
Northampton County	\$49,199,000	\$164.55
Lawrence County	\$14,000,000	\$155.28
Cumberland County	\$35,750,000	\$153.77
Allegheny County	\$180,528,505	\$148.16

Unemployment rates of U.S., PA, and PA's Neighboring States

See how Pennsylvania's unemployment rate compares to the national average and the average of neighboring states over the past year.



Current Unemployment Rate by State

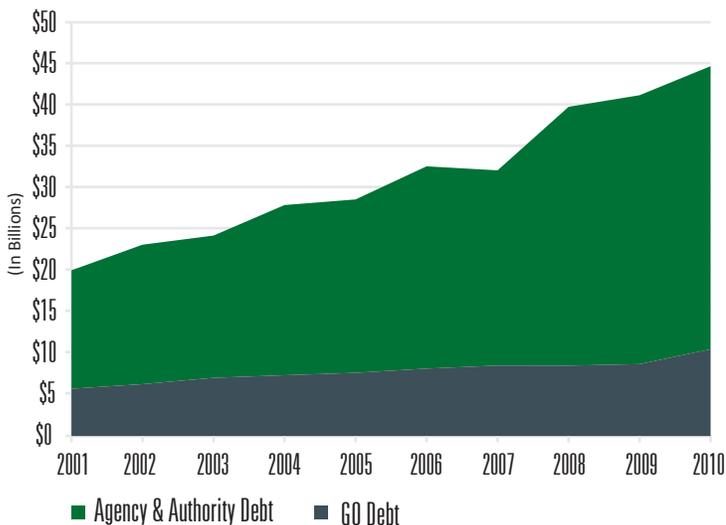
Compare Pennsylvania's unemployment rate to the national rate, as well as to that of neighboring states as of September 2011.



Source: Pennsylvania Department of Labor and Industry

General Obligation Debt vs Agency and Authority Debt

In addition to debt held by the Commonwealth, many state-created agencies and authorities also incur debt to finance public projects. The indebtedness of these agencies and authorities is not a pledged obligation of the Commonwealth.



Source: PA Budget Office

Tax Revenues

See how the combined collections for three major categories of revenue – Personal Income Tax, Sales and Use Tax, and Corporate Tax – during the first quarter of the fiscal year (July-September) compare to the same period last fiscal year.



Source: PA Dept of Revenue



Debt plays a large role in our economy. Individuals and families use debt to finance homes, automobiles, and college educations. For businesses, debt helps fund start-up ventures, expansions, and the development of new products. Governments also have reasonable uses for debt (as well as unreasonable ones)! Without borrowing funds, for example, government agencies would not currently have the resources to build or repair roads, bridges, or water lines – all of which are essential to our way of life and our economy. Ideally, public debt would be used to finance something that has a useful life beyond the borrowing term – or for investments that have a return greater than the cost of capital.

In this edition of *The McCord Report*, we examine the Commonwealth’s debt, including the state’s capital budget. Few understand the capital budget process, but I believe a thorough understanding of Pennsylvania’s debt obligation is important if policy makers are to make prudent decisions about the money we borrow to pay for projects.

I welcome your feedback on this issue. Pennsylvania’s debt is an expansive topic – far too broad to examine fully in this edition of *The McCord Report*. Please email your thoughts or suggestions on this or other topics to McCordReport@patreasury.gov.

Yours in service,

Rob McCord
Pennsylvania State Treasurer

Pennsylvania Treasury performance

Investments

The State Treasurer monitors and safeguards virtually all state agency funds, which totaled \$90.3 billion as of September 30, 2011. Of that total, Treasury directly manages approximately \$14.2 billion. See how Treasury’s assets under management as of the end of the first quarter of fiscal year 2011-12 compared with the same period the year prior.

Assets managed by Treasury:

9/30/11 **\$14,248,167,199**

9/30/10 **\$13,222,348,931**

Change +/- **\$1,025,818,268**

Unclaimed Property Program

Treasury manages Pennsylvania’s Unclaimed Property Program, a revenue-generating, good-government program aimed primarily at reuniting owners and heirs with their dormant or unclaimed property. Search the free database at www.patreasury.gov.

Property received

7/1-9/30/11 **\$20.8 million**

7/1-9/30/10 **\$9.6 million**

Property returned

7/1-9/30/11 **\$22.8 million**

7/1-9/30/10 **\$25 million**

PA 529 College Savings Program

Treasury administers the Pennsylvania 529 College Savings Program, offering families two distinct savings plans to help make college affordable. Please visit www.PA529.com to learn more about the program.

PA 529 Guaranteed Savings Plan

	9/30/2010	9/30/2011
Accounts	94,098	96,872
Assets	\$1,244,000,000	\$1,277,000,000
Contributions (7/1-9/30)	\$69,300,000	\$81,000,000

PA 529 Investment Plan

	9/30/2010	9/30/2011
Accounts	59,519	64,718
Assets	\$784,000,000	\$891,000,000
Contributions (7/1-9/30)	\$29,400,000	\$33,100,000