Like a family buying a home or a business opening a factory, the Commonwealth of Pennsylvania borrows money to finance buildings, roads, bridges and other facilities that have a long useful life. Each year, a share of the budget goes toward paying off the debt. How much of the state’s budget goes for these debt payments — 10%, 30%, 50%? Try between 3% and 4%.

Bond rating agencies recommend that states keep debt service to 5% of revenues or less, a threshold that Pennsylvania’s General Fund has met for 30 years. While debt service payments have increased, by 40% over the last decade, the share of the budget that goes to pay the debt bill has remained largely the same — well below the 5% guideline.

The General Fund debt pays for things the state needs, including prisons, facilities at state colleges and universities, and office buildings. It pays for improvements in local communities, like waterfront development, stadiums, public transportation and historic sites.

With voter approval, the state has borrowed money for things people need but don’t think about — such as water and sewer improvements that might last 100 years — and for things we want now — like environmental protection and land conservation. These investments last a long time and help build a better Pennsylvania.

The state’s Motor License Fund collects money from the gasoline tax and license fees to pay the debt service for bridge and road construction. As recently as a decade ago, the payments were higher than recommended but have since gone down to less than 2% of incoming revenue. The Motor Fund’s debt service payments will likely increase in the next few years, as the state has accelerated road and bridge repair projects in the past few years – which improve the state’s infrastructure and put people to work.

Source. Governor’s Executive Budget, various years.

Debt is not a bad thing, if properly managed. It is good business to pay for a long-lived asset over its useful life, rather than paying for it up front. As a share of its yearly spending plan, Pennsylvania has kept the repayment of its debt quite manageable.