



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 1263

PRINTERS NO. 2351

PRIME SPONSOR: **Browne**

COST / (SAVINGS)

FUND	FY 2011/12	FY 2012/13
General Fund	\$0	(\$104,400,000)

SUMMARY: Amends the Fiscal Code to add the 2012-13 budget implementation language and making related repeals.

ANALYSIS: The following is a summary of the provisions of the bill as amended:

Method of Payment

- Amends the restriction on regulations that currently prohibits the required method of payment from being changed when the payment is less than \$20,000 to by lowering the payment threshold to less than \$10,000. Regulations include for required methods include payment of funds by electronic funds transfer.

No adverse impact on Commonwealth funds.

Transmission of Moneys

- Adds language allowing the Department of Revenue to enter into contracts to identify savings from refunds and to collect taxes, interest, penalties or fees paid pursuant to a contingency fee. The contracts must ensure compliance with all laws and procedures regulating the collection of taxes, interest, penalties and fees.

No adverse impact on Commonwealth funds.

Replacement Checks

- Section is amended to allow replacement checks to be issued for checks that are between 180 days and 1 year old.
- After 1 year, all reportable checks issued by the Commonwealth that have not been presented for payment shall be delivered to the State Treasurer as abandoned/unclaimed property.

No net fiscal impact, but the General Fund will realize a first year gain of up to \$3,900,000 as special fund stale dated checks are transferred to the Bureau of Unclaimed Property. In following years, the annual transfers to the General Fund are estimated to be \$500,000 to \$1,000,000. Corresponding reductions will be realized in special funds upon which checks were originally drawn.

Settlement Agreements; Enforcement

- New section added to provide that any money received by an agency as a result of a settlement, litigation or an enforcement action shall be deemed funds of the Commonwealth, and shall, upon receipt, be deposited in the General Fund.
- Agencies shall be reimbursed from settlement proceeds for any costs incurred to pursue a settlement, litigation or enforcement action.

- Upon request of the agency that was the party to the settlement, litigation or enforcement action, amounts exceeding the actual costs of settlement that are deposited in the General Fund may be redirected to the agency to supplement the activities of the agency upon request of the agency and approval by the Secretary of the Budget.
- If there is a redirection of funds, the Secretary of the Budget shall provide notice, including detailed information, of the transfer to the chair of Appropriations Committee of the Senate and the House of Representatives.

No adverse impact on Commonwealth funds.

Neighborhood Improvement Zone Fund

- Makes technical changes to ensure the provisions in this section are constitutional.
- Defines “earned income tax” to ensure that the monies retained by the city as part of the NIZ are only those earned income tax monies which are levied by a city, or a school district entirely contained in the zone.
- Provides that an entity collecting a local tax that is in possession of money attributable to a local tax not included in the amount to be certified shall promptly remit the money to the local taxing authority entitled to receive the money.
- Provides that within 4 months of the designation of an NIZ, a city may apply to DCED to decertify all or part of the KOZ on behalf of all political subdivisions.

No fiscal impact on Commonwealth funds.

Financially Distressed Municipalities

- Extends the expiration of this Article preventing third class cities from filing for bankruptcy from July 1, 2012, to November 30, 2012.

No adverse impact on Commonwealth funds.

Oil and Gas Wells

- Restores the bonding requirements for conventional oil and gas wells to pre-Act 13 standards.
- Conventional oil and gas well is defined as a singled vertical bore hole which (1) is drilled or being drilled for the purposes of or to be used for the production of oil or natural gas and (2) is not stimulated by hydraulic fracture treatments or using multilateral well bores or other techniques to expose more of the formation to the well bore.
- Shall apply retroactively to April 16, 2012.

No fiscal impact on Commonwealth funds.

Oil and Gas Operations in the South Newark Basin

- Prohibits the Department of Environmental Protection from issuing any oil and gas well operations permits within the geographic boundaries of the South Newark Basin until all the following occurs:
 - a study is completed by the Department of Conservation and Natural Resources, in consultation with municipalities located in the South Newark Basin, evaluating the practical resource recovery implications of the June 2012 report issued by the United States Geological Survey and the fiscal impact of oil and gas operations on the South Newark Basin, and
 - legislation authorizes the governing body of a county situated in whole or in part within the South Newark Basin that has spud gas well located within its borders to elect whether to impose a fee on gas wells pursuant to 58 Pa.C.S. Ch. 23.
- The section expires January 1, 2018.

No adverse fiscal impact on Commonwealth funds.

Keystone Special Development Zone

- Amends the definition of “Keystone special development zone” to include properties that have no permanent vertical structures affixed to them or which had a permanent vertical structure affixed to it which has been deteriorated or abandoned for at least 20 years.

No adverse fiscal impact on Commonwealth funds.

Department of Community and Economic Development Tax Credits

- Limits on Film Tax Credit and Job Creation Tax Credit are deleted from the Fiscal Code for placement in the Tax Code.

No net fiscal impact

Rainy Day Fund

Section is amended to state that no amount of the surplus in the General Fund for FY 2011-2012 may be deposited into the Budget Stabilization Reserve Fund (Rainy Day Fund).

No adverse impact on Commonwealth funds.

Auditor General

- Amends language to provide that the Auditor General must deliver to the Office of the Budget a complete annual audit by March 31 unless the Auditor General and Office of the Budget agree in writing that extenuating circumstances prevent the Auditor General from completing the audit by the specified date.
- If there is non-compliance, the State Treasurer shall not authorize the release of appropriated funds in the quarter following the failure until the Auditor General completes the audit and delivers it to the Office of the Budget.
- The Auditor General is required to provide the Office of the Budget with a Single Audit Engagement Letter, including the total cost to perform the audit and a timeline each year for annual funding approval.

No adverse impact on Commonwealth funds.

Department of Public Welfare

- No funds appropriated for approved capitation plans shall be used to pay a provider who fails to supply information in a form required by the department in order to facilitate claims for Federal financial participation for services rendered to general assistance clients.

No adverse impact on Commonwealth funds.

2012-13 BUDGET IMPLEMENTATION:

- Provides implementing language for specific line items as to how funds appropriated in the General Appropriation Act of 2012 are distributed.
- Repeals the articles implementing the 2007-08 budget.

Department of Revenue – Enhanced Revenue Collection Account

- Extends the Enhanced Revenue Collections Account through 2016-17 (created under Section 1730-L for fiscal years 2010-11 and 2011-12).
- Provides that the balance in the account on each June 15th shall be transferred to the General Fund or other authorized fund.
- Increases the appropriation (augmentation to Revenue’s general government operations appropriation) to fund the costs associated with the enhanced revenue collection program to up to \$10,000,000 annually.

As estimated by the Department of Revenue, the continuation of the Enhanced Revenue Collection Account will generate \$100,000,000 in additional revenue for the General Fund in 2012-13.

Studies

- The Department of Public Welfare is directed to conduct a study to analyze the impact of the current funding formula for rape crisis and sexual assault victim services and the factors weighted to determine statewide distribution of funding unmet needs. The Pennsylvania Coalition against Rape shall provide data and otherwise cooperate with the study.
- The Department of Public Welfare is also directed to conduct a study to develop a new county funding formula that provides a more equitable distribution of funds and considers the most recent population data. A report outlining a new county funding formula, the factors involved in developing the formula, the impact on county allocations and recommendations is to be submitted by January 1, 2013.
- The Legislative Budget and Finance Committee, in consultation with the Pennsylvania Infrastructure Investment Authority, shall conduct a study of how the Commonwealth can meet nutrient reduction planning targets contained in a watershed implementation plan. The study shall be presented by December 30, 2012.

The administrative costs associated with completing and publishing the various studies can be accommodated within the 2012-13 operating appropriations being made to the entities tasked with completing the studies.

Commonwealth Financing Authority

The board of the Commonwealth Financing Authority (CFA) is directed to use at least \$5.5 million of interest earned from the investment of unexpended Authority bond proceeds to pay the principal and interest due to be paid for Authority bonds during FY 2012-13.

Decreases General Fund costs by \$5,500,000 because at least \$5,500,000 in CFA debt service costs will be paid from CFA interest earnings.

Judicial Department – Courts of Common Pleas

- \$1,100,000 is appropriated for the operations of the courts of common pleas, including the salaries and expenses of judges. This amount is in addition to funds appropriated to the courts of common pleas.
- Funds appropriated for court consolidation grants in counties of the second class may be used by the county for judicial expenses.

Increases 2012-13 General Fund appropriation total by \$1,100,000.

Tobacco Settlement Fund

- Strategic contribution payments received in FY 2011-2012 remain in the Tobacco Settlement Fund (TSF)
- 2011-12 Endowment Account funds remain the TSF.
- 62.5% of the funds for tobacco use prevention and cessation programs remain in the TSF
- 30.0% of the funds for health-related research (non-formula driven funds) remain in the TSF
- 33.3% of the funds for health investment insurance and for the purchase of Medicaid benefits for workers with disabilities remain in the TSF
- 18.2% of the funds for uncompensated care remain in the TSF
- Revenue deposited into the Tobacco Settlement Fund shall only be appropriated for health-related purposes. If applicable, the amount appropriated shall be matched with federal augmenting funds
 - Health Venture Account investments - all assets, nonliquid investments, contractually obligated money, return on investments and any other money or assets in the Health Venture Investment Account shall be retained in the Health Venture Investment Account for continued investment by the Tobacco Settlement Investment Board

No adverse fiscal impact on Commonwealth funds.

Veterans' Trust Fund

The sum of \$1.7 million shall be transferred from the General Fund and deposited into the Veterans' Trust Fund upon the sale of lands, buildings or other real estate used for veteran's services or programs under the jurisdiction of the Department of Military and Veterans Affairs. The sum of \$700,000 is appropriated for veterans' services organizations.

No adverse fiscal impact on Commonwealth funds.

State Farm Products Show Fund

From money transferred to the State Farm Products Show Fund, \$2,000,000 shall be distributed to county fairs.

No adverse fiscal impact on Commonwealth funds.

Pennsylvania Race Horse Development Fund

The transfer, specified in the General Appropriation Act of 2012, from the Fund to the State Farm Products Show Fund shall occur in four equal installments in fiscal year 2012-13.

No adverse fiscal impact on Commonwealth funds.

Audits of Race Horse Development Funds.

Technical corrections are made to the audit language that was included in Act 2011-26 to specify the Office of the Budget as the agency responsible for overseeing the financial audit of all funds distributed under the Pennsylvania Race Horse Development Fund.

No adverse fiscal impact on Commonwealth funds.

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House Appropriations Committee (R)

DATE: June 29, 2012

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.