



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 278

PRINTERS NO. 3930

PRIME SPONSOR: Baker

INCREASE /(DECREASE)

FUND	FY 2013/14	FY 2014/15
General Fund	\$0	See Fiscal Impacts
Oil and Gas Lease Fund	\$0	\$95,000,000
Tobacco Settlement Fund	\$274,581,000	\$409,116,000
Race Horse Development Fund	\$17,659,000	\$17,659,000

SUMMARY: House Bill 278, printer's number 3930, amends the Fiscal Code to provide for consideration of a funding formula for critical access hospitals; for 2014-15 budget implementation and for 2014-15 restrictions on appropriation for funds and accounts and making related repeals.

ANALYSIS: The bill, as amended, provides that the Department of Public Welfare may consider reimbursing critical access hospitals at 101% of medical assistance allowable costs for inpatient and outpatient services.

The bill provides for the implementation of the operating budget of the Commonwealth for fiscal 2014-15. The provisions of the bill address fiscal operations, revenue and potential liabilities of the Commonwealth that must be addressed in order to meet the requirements of Article VIII, section 13, of the Constitution of Pennsylvania and to implement the General Appropriation Act of 2014. A summary of the provisions of the bill as amended and related fiscal impacts follows.

State Treasurer Investment Authority

The bill extends the State Treasurer's prudent person investment authority from December 31, 2014 to December 31, 2019.

Fiscal Impact –The enactment of this provision will have no adverse impact on Commonwealth funds.

Unclaimed Property

The bill changes the holding period of certain classes of unclaimed property by financial institutions, insurers, utilities, business associations, fiduciaries, courts, public officers and agencies, and other groups holding property for another from 5 years to 3 years. The bill provides for updates, procedures and penalties for the State Treasurer to examine records of a person subject to unclaimed property requirements.

Technical changes and updates

The legislation also updates several definitions and provisions to reflect changes in the financial services industry. Adds language to the Fiscal Code to clarify that for a check or instrument on which a financial institution is directly liable (ex. cashier's checks), an indication of interest can come from the payee or a person entitled to enforce the instrument.

Language is added to clarify the time required before certain types of property is recognized as abandoned and unclaimed, including certain financial products that do not have a fixed date of distribution. Individual retirement accounts and retirement plans for self-employed individuals are specified to be recognized as abandoned and unclaimed 3 years after the owner has attained the age of 70.5 years or 3 years after the owner has indicated an interest in other property in the possession of the holder.

Certificate of Finder Registration

The bill prohibits an individual who is not an attorney from engaging in activities related to locating and recovering abandoned or unclaimed property for a fee unless they register with the State Treasurer, maintain certain records and file reports related to such transactions. The bill establishes procedures for enforcement of registration requirement and penalties for violation. Finders violating the certification requirements shall be guilty of a third degree misdemeanor and shall be sentenced to pay up to \$1,000 for the first offense, with fines for subsequent offenses up to \$5,000.

Fiscal Impact –The enactment of this provision will have no adverse impact on Commonwealth funds.

Examination of records

Updates the mechanisms by which the State Treasurer may examine the records of a holder, or an agent of a holder, who is legally required to comply with the requirements of the unclaimed property law.

Authority for State Treasurer to examine and revise unclaimed property accounts

Applies the State Treasurer's current authority to examine and revise public accounts to include abandoned and unclaimed property accounts. The State Treasurer would also have ability to ascertain information about the abandoned and unclaimed accounts through review of documents and examination of witnesses.

Fiscal Impact –It is estimated that the reduction in the holding period for the newly identified classes of unclaimed property will generate \$150,000,000 in revenue for the General Fund in 2014-15. The Treasury Department anticipates that the majority of the new unclaimed property will be received by the State Treasury in April 2015. The State Treasurer will incur costs to notify holders of the shortened dormancy period. Treasury will incur costs for advertising in 2015-16. The General Appropriation Act included \$3,500,000 in the State Treasury general government operations appropriation to cover the costs that will be incurred from the shortening of the holding period.

Oil and Gas Lease Fund

The bill provides for legislative findings relating to the Oil and Gas Lease Fund and specifies that transfers of moneys from the Oil and Gas Lease Fund to the General Fund are allowed if the balance is adequate for the Department of Conservation and Natural Resources to fulfill their statutory obligations to protect state forest and park lands and other environmental activities. A subsection is added to provide for the transfer of \$95,000,000 from the Oil and Gas Lease Fund to the General Fund in FY 2014-2015.

Fiscal Impact –As specified, \$95,000,000 is transferred from the Oil and Gas Lease Fund to the General Fund.

H2O PA Account

The bill creates the restricted H2O PA Account within the Gaming Economic Development and Tourism Fund to hold funds currently dedicated for H2O PA. The bill does not create a new source of funds for the program; however, funds deposited into the account include funds from gaming, the Act 13 impact fee, and \$3,000,000 available for small water and sewer projects with a cost of not less than \$50,000 and no more than \$150,000 under the program.

Fiscal Impact –No adverse impact on Commonwealth funds.

Tobacco Settlement Fund

The bill modifies the Tobacco Settlement Fund appropriation mechanism moved to the Fiscal Code in 2013-14.

Revised percentages specified in the bill for 2013-14 are as follows:

- 13% to home and community-based services (2013-14 allocation is \$41,057,000);
- 2.93% for tobacco use prevention and cessation programs (2013-14 allocation is \$9,267,000);
- 6.3% for health related research (2013-14 allocation is \$19,897,000);
- 0.5% for health related research based on National Cancer Institute funding formula (2013-14 allocation is \$1,579,000);
- 4.09% for uncompensated care payment program (2013-14 allocation is \$12,917,000);
- 30% for the purchase of Medical Assistance benefits for workers with disabilities (2013-14 allocation is \$94,748,000); and
- 43.18% shall remain in the fund to be separately appropriated for health-related purposes (This percentage equals \$136,360,000, of which \$73,756,000 is appropriated in 2013-14).

Fiscal Impact – The percentage allocations together with the Strategic Contribution Payment of \$21,360,000 result in appropriations of \$274,581,000 for Tobacco Settlement Fund health-related programs in 2013-14.

The distribution for FY 2014-15 is as follows:

- 13% to home and community-based services (2014-15 allocation is \$39,953,000);
- 4.5% for tobacco use prevention and cessation programs (2014-15 allocation is \$13,830,000);
- 12.6% for health related research (2014-15 allocation is \$38,723,000);
- 1% for health related research based on National Cancer Institute funding formula (2014-15 allocation is \$3,073,000);
- 8.18% for uncompensated care payment program (2014-15 allocation is \$25,140,000);
- 15.12% for the purchase of Medical Assistance benefits for workers with disabilities (2014-15 allocation is \$46,468,000); and
- 45.6% shall remain in the fund to be separately appropriated for health-related purposes (2013-14 allocation is \$140,140,000).

Additionally, the Tobacco Settlement Fund is projected to receive an additional payment, estimated to be \$38,000,000, during 2014-15. That payment will be separately appropriated for health-related purposes in the General Appropriations bill.

Fiscal Impact – The percentage allocations together with the anticipated Strategic Contribution Payment of \$20,789,000, the estimated additional payment of \$38,000,000, and prior year funds of \$43,000,000 result in appropriations of \$409,116,000 for Tobacco Settlement Fund health-related programs in 2014-15.

Termination of Health Endowment Account for Long-Term Hope and Health Venture Investment Account

The Health Endowment Account for Long-Term Hope and Health Venture Investment Account shall terminate and close on January 1, 2015.

Transfer to Public School Employees' Retirement System (PSERS)

A one-time transfer of assets, nonliquid investments, contractually obligated money, and cash in the Tobacco Settlement Fund, the Health Venture Investment Account and the Health Endowment Account in the amount of \$225,000,000 shall be transferred directly to PSERS to be used for payment of a portion of the Commonwealth share of the employer contribution for school employees' pensions in 2014-15. Specifies the valuation procedures for the assets being transferred to PSERS.

Fiscal Impact – No adverse fiscal impact. The transfer of private equity investments and cash assets will be made in lieu of a full General Fund transfer to the Department of Education for School Employees' Retirement payments.

Pennsylvania Race Horse Development Fund

Provisions for the fund are retained in the Fiscal Code, for fiscal year 2013-2014 and 2014-2015, to receive weekly transfers of \$802,682 from funds derived from Category 1 licensees and deposit such transfers in the Race Horse Development Fund. The transfers shall not exceed \$17,659,000 annually. Continues the distribution of moneys remaining after transfers to active and operating Category 1 licensees per the formula beyond fiscal year 2013-14. Provisions for the fund are retained in the Fiscal Code, for fiscal year 2013-14 and 2014-15, to receive weekly transfers of \$802,682 from funds derived from Category 1 licensees and deposit such transfers in the Race Horse Development Fund. The transfers shall not exceed \$17,659,000 annually. Continues the distribution of moneys remaining after transfers to active and operating Category 1 licensees per the formula beyond fiscal year 2013-14.

Fiscal Impact – No net adverse impact on Commonwealth funds as the section provides for the continuation of transfers in 2014-15.

Budget Stabilization Reserve Fund

Section 1702-A of the Fiscal Code is amended to state that no amount of the surplus in the General Fund for FY 2013-14 may be deposited into the Budget Stabilization Reserve Fund (Rainy Day Fund).

Fiscal Impact – No adverse impact on Commonwealth funds.

State Civil Service Commission

The language statutorily permits the State Civil Service Commission to enter into necessary contracts for the production of copies of tests, paid from funds appropriated to them. Provisions also allow the Commission to enter into cooperative agreements with departments, boards, commissions and other agencies to implement their administrative needs.

Fiscal Impact: No adverse fiscal impact to the Commonwealth.

Environmental Quality Board

The amended bill specifies that all regulations promulgated under 58 Pa.C.S. (relating to oil and gas) shall differentiate between conventional oil and gas wells and unconventional gas wells. The definition of “conventional oil and gas well” is provided.

Fiscal Impact: No adverse fiscal impact to the Commonwealth.

Surcharges

Section 1795.1-E is inserted in the Fiscal Code to provide that the Judicial Branch may impose an additional \$10 surcharge on certain court filing fees from \$11.25 to \$21.25. The surcharge will expire December 31, 2017.

Fiscal Impact: The \$10 increase is expected to generate about \$14,455,000 in additional revenue in fiscal year 2014-15 to fund the Unified Judicial System.

Local Option Small Games of Chance – Tavern Gaming

The legislation allows the Pennsylvania Liquor Control Board to reduce the license fee required for tavern gaming from the current \$2,000 fee to a \$500 fee upon approval of a license. This provision is designed to encourage more applications under the Local Option Small Games of Chance Act, which allows for the playing of small games of chance in taverns pursuant to Act 90 of 2013.

Fiscal Impact: A \$1,500 fee reduction for a tavern games license would result in the loss of \$150,000 for every one hundred licenses issued. However, the fee reduction is designed to encourage the issuance of more licenses, and licensees are required to pay a 60% state tax on net revenue from tavern games. Therefore, any reduction in overall license fee revenues may be offset by an increase in tavern gaming tax revenues payable to the General Fund in fiscal year 2014-15.

Rural Regional College for Underserved Counties

Establishes a rural regional college and specifies the organizational administration and operations of such college in a multicounty rural area that is underserved by comprehensive college education and workforce development.

Fiscal Impact: \$1,200,000 is provided in the General Appropriations Act of 2014 for this purpose.

2014-15 BUDGET IMPLEMENTATION:

- Provides implementing language for specific line items as to how funds appropriated in the General Appropriation Act of 2014 are distributed.
- Notable budget implementation language is outlined below.

Department of Education

School Employees' Social Security – As in past years, the bill contains provisions that preclude charter and cyber charter schools from receiving funds from the appropriation for Social Security costs.

School Construction Reimbursements – The bill requires the Department to move projects back in reimbursement order when a district fails to submit required paperwork in a timely manner for reimbursement. Waivers by the Secretary may be granted for a school district that fails to submit the required paper work if they are in the process of reconciling financial records, facing litigation or bond financing delays.

School Employees' Retirement – Language is included to preclude charter and cyber charter schools from receiving funds from the appropriation for reimbursement of pension costs.

Fiscal Impact: \$74,000,000 in savings is estimated for fiscal year 2014-2015.

Special Education Funding – The bill includes the following provisions:

- School District Subsidy – Provides each school district with the same amount as in fiscal year 2013-14 and distributes \$19,800,000 under the formula that considers student costs, wealth, tax effort and the sparsity ratio.
- Intermediate Unit Funding – Provides for intermediate units to be funded at the same amount under the same distribution formula as in fiscal year 2013-14.
- Contingency Fund – Provides 1% of the total appropriation to be set-aside for the fund and for funds to be awarded to school districts and charter schools for extraordinary special education expenses. Also, provides funds from the set aside for an approved private school.

Fiscal Impact: \$1,046,815,000 is provided in the General Appropriations Act of 2014 for this purpose.

Basic Education Funding – The bill includes the following provisions:

- School District Subsidy- Provides school districts with the same allocation as provided in fiscal year 2013-14.
- Fiscal Recovery School District Transitional Loan Account – Provides any remaining funds to be deposited in the account.

Fiscal Impact: \$5,526,129,000 is provided in the General Appropriations Act of 2014 for this purpose.

Community College Funding – The bill provides for community colleges to be allocated in the same amount as in fiscal year 2013-2014 and a pro rata share of \$3,500,000.

Fiscal Impact: \$215,667,000 is provided in the General Appropriations Act of 2014 for this purpose.

Libraries - The bill provides for libraries to be allocated in the same amount as in fiscal year 2013-14.
Fiscal Impact: \$53,507,000 is provided in the General Appropriations Act of 2014 for this purpose.

Use of Undistributed Funds - The bill continues to allow the Department of Education to use up to \$4,500,000 in undistributed funds to assist school districts in financial distress or identified for financial watch status.

Fiscal Impact: No adverse fiscal impact.

Alternative Education Program Fees - The bill provides for alternative education providers to pay annual application and renewal fees to augment the Department's costs for administration and oversight activities. Establishes initial and renewal application fees for public school entities of \$400 and private providers of \$1,000.

Fiscal Impact: The fees are estimated to generate \$162,000 in additional revenues annually, which will be used to offset Department of Education expenses for oversight activities.

Ready to Learn Block Grant Program - An allocation of funds to school districts, charter schools and cyber charter schools is provided. Funds are to be distributed as follows:

- School districts are to receive a distribution that shall be the same amount that they received under the fiscal year 2013-14 PA Accountability Grants program (\$100,000,000);
- School districts, charter schools and cyber charter schools receive the remainder on a per student basis weighted by the school entity's market value/income aid ratio, number of economically disadvantaged students and number of students identified as limited English proficient (\$100,000,000).
- Language is included to provide for allowable uses of funds to maintain and improve academic performance. It exempts the funds distributed under (2) above from the school districts' calculation of the charter school tuition rates.

Fiscal Impact: \$200,000,000 is provided in the General Appropriations Act of 2014 for this purpose.

Vocational Education Equipment Grant - The bill provides for the distribution of funding based on a formula that provides a base amount of \$3,000 to each area vocational-technical school or school district with an approved program and distributes the remainder of funding based on average daily membership.

Fiscal Impact: \$3,000,000 is provided in the General Appropriations Act of 2014 for this purpose.

Environmental Protection

- Includes prohibition for any funds to be appropriated from the General Fund to the Consumer Energy Program.

Fiscal Impact -No adverse impact on Commonwealth funds.

- Provides that no later than 60 days after the effective date of the section, the department shall transfer \$8,672,845 of unexpended Alternative Energy Series 2010B proceeds allocated to the department for pollution control technology projects to the CFA for the payment of interest due during fiscal year 2014-15 on the CFA's alternative energy tax-exempt bond issues.

Fiscal Impact -Will result in General Fund savings of \$8,672,845 since the debt service on the CFA alternative energy bonds would have otherwise had to be paid from General Fund revenue.

- Specifies that funds are included in the environmental program management appropriation for independent research of natural gas drilling.

Public Welfare

- The bill includes language to require providers of 24-hour out-of-home, community based or institutional care and supervision of a child to submit documentation of cost to support claims for federal funding and state reimbursement of allowable direct and indirect costs.

Fiscal Impact -No adverse fiscal impact.

Revenue – Enhanced Revenue Collection Account

- Continues the Enhanced Revenue Collections Account (ERCA) program through 2019-2020 and increases the appropriation (augmentation to Revenue’s general government operations appropriation) to fund the costs associated with the enhanced revenue collection program from \$15,000,000 to up to \$25,000,000 annually.
- The balance in the account on each June 15th shall be transferred to the General Fund or other authorized fund.

Fiscal Impact – The Governor’s Office has estimated that increasing the appropriation for ERCA by \$10,000,000 would result in the collection of an additional \$50,000,000 in General Fund revenues. Therefore, the net fiscal impact will be an increase in revenues paid to the General Fund of \$40,000,000 for fiscal year 2014-15.

PHEEA- Ready to Succeed Scholarship Program

- The bill outlines the new the Ready to Succeed Scholarship Program and includes eligibility criteria and requirements.

Fiscal Impact: \$5,000,000 is provided in the General Appropriations Act of 2014 for this purpose.

Gaming and Economic Development and Tourism Fund

- The bill provides for the transfer of \$5,676,000 from the Gaming Economic Development and Tourism Fund to the Department of General Services to meet legally obligated payments relating to bonds issued in 2007 for a project authorized in the Pennsylvania Gaming Economic Development and Tourism Fund Capital Budget Itemization Act of 2007.

Makes a number of repeals necessary to properly effectuate the additions to the Fiscal Code.

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