



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

SENATE BILL NO. 591

PRINTERS NO. 1328

PRIME SPONSOR: Vulakovich

### INCREASE /(DECREASE)

FUND	FY 2012/13	FY 2013/14
General Fund	\$0	(\$51,665,932)
Motor License Fund	\$0	\$29,500,000
Race Horse Development Fund	\$0	\$17,659,000
Local Government Capital Project Loan Fund	\$0	\$0
Municipal Funds	\$0	\$0

**SUMMARY:** Amends the Fiscal Code by increasing the amount that small municipalities may borrow for equipment and facility upgrades through the Local Government Capital Project Loan Fund and provides 2013-14 budget implementation language and makes related repeals.

**ANALYSIS:** The bill as amended addresses municipal borrowing limits from the Local Government Capital Project Loan Fund and provides for the implementation of the operating budget of the Commonwealth for fiscal 2013-14. 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 2013. A summary of the provisions of the bill as amended and related fiscal impacts follows.

### Department of Revenue Efficiency Enhancements and Deletion of Obsolete Provisions

- Amends Section 9 of the Fiscal Code to require electronic payment for all taxes, other than personal income tax payments by individuals, of \$1,000 and greater. Current threshold is \$10,000.

*Fiscal Impact –Department of Revenue estimates annual cost savings of \$430,000.*

- Amends Section 10 of the Fiscal Code to require electronic filing by third party preparers who submits eleven (11) or more reports or returns. Current threshold is fifty (50) or more reports or returns.

*Fiscal Impact –Department of Revenue estimates annual cost savings of \$260,000.*

- Section 209 (b) is amended by adding a subsection (b) to provide that the Department of Revenue may not enter into a contingent fee contract under which the contractor directly conducts a field audit.

*Fiscal Impact –No adverse fiscal impact on Commonwealth funds.*

- Repeals obsolete reporting provisions including local treasurer report of municipal loans and payment of tax (Section 709) and monthly statements by Registers of Wills (Section 724).

- Repeals obsolete administrative provisions including collection and reporting of motor license and vehicle operator's license fees (Section 1206) and collection of amounts payable to State institutions (Section 1209).

*Fiscal Impact –No adverse fiscal impact on Commonwealth funds.*

### **Repeal of Corporate Loans Tax**

Repeals Corporate Loans Tax (Sections 606 and 708 of Fiscal Code), which is imposed on the taxable indebtedness of domestic and foreign corporations having Pennsylvania corporate treasurers. Currently the tax is imposed on resident individuals, who hold the corporate debt, but corporations, who issue, assume or pay interest on the debt must withhold and remit the tax. Repeal is effective for tax year 2014.

*Fiscal Impact -The Department of Revenue estimates that the repeal of the corporate loans tax will reduce revenues by \$700,000 in 2013-14. Full year cost is estimated to be approximately \$10,000,000 per year thereafter.*

### **Reimbursement of Administrative Costs**

A section is added to provide that Commonwealth agencies, departments, boards or commissions may recover their administrative costs incurred to certify and collect a delinquency owed by a person or entity who owes the Commonwealth for a good, service or benefit provided by the Commonwealth when the delinquency does not arise from a tax liability. The recovery shall be three per centum (3%) of the delinquency not to exceed thirty dollars per delinquency. The recovered administrative costs shall be credited to the appropriation, fund or account from which the administrative costs connected to the recovery were paid.

*Fiscal Impact -Nominal cost savings will be realized to the extent that Commonwealth agencies are able to recover funds to offset their administrative costs.*

### **Local Government Capital Project Loan Fund**

- Amends Section 1603-D of the Fiscal Code, which relates to the Local Government Capital Project Loan Fund, to increase the maximum amount that municipalities may borrow for equipment loans from \$25,000 to \$50,000 for any single piece of equipment or 50% of the total cost of the piece of equipment, whichever is less.
- Maximum amount that municipalities may borrow for purchasing, constructing, renovating or rehabilitating facilities and for facility loans is also increased from \$50,000 to \$100,000 for any single facility or 50% of the total cost for purchasing, constructing, renovating or rehabilitating the facility, whichever is less.
- Loan repayment terms are modified from a maximum of ten years to a period not to exceed the useful life of the equipment for equipment loans to not more than 15 years for facilities loans.

*Fiscal Impact -No adverse fiscal impact on Commonwealth or municipal funds.*

### **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 2012-2013 may be deposited into the Budget Stabilization Reserve Fund (Rainy Day Fund).

*Fiscal Impact - No adverse impact on Commonwealth funds.*

### **Underground Storage Tank Indemnification Fund Transfer**

Section 1711-A is amended to extend the period of time to repay the transfer to the General Fund from the Underground Storage Tank Indemnification Fund (USTIF) in October 2002. The repayment period is extended to before July 1, 2029, with interest. Of the \$100,000,000 transferred to the General Fund in October 2002, \$80,000,000 is still due to be repaid.

*Fiscal Impact -No adverse fiscal impact on Commonwealth funds.*

### **Other Grant Funds Available through the Commonwealth Financing Authority (CFA)**

Subarticle H is amended by adding a section to provide that in fiscal year 2013-14 from funds available to the CFA through Act 13 of 2012 for the H2O PA program, the sum of \$3,000,000 shall be available for water and sewer projects with a cost of not less than \$50,000 and not more than \$150,000. The CFA is directed to adopt guidelines for the approval of applications for these funds and shall ensure that grants are made available to all geographic areas of the Commonwealth.

*Fiscal Impact -No adverse fiscal impact on Commonwealth funds.*

## **ADDITIONAL SPECIAL FUNDS** – added in new Article XVII-A.1

### **Veterans' Trust Fund**

The Veterans' Trust Fund is established in the State Treasury as a permanent special fund to maintain the assets the Commonwealth received from the sale of the Scotland School. Assets in the Fund are to be used for veterans' services. Section 1719-G of the Fiscal Code, which provided for the establishment of the Fund for 2012-13 is deleted.

*Fiscal Impact -No adverse fiscal impact on Commonwealth funds.*

### **Tobacco Settlement Fund**

A subarticle is added to codify the Tobacco Settlement Fund in the Fiscal Code and to provide that all payments received by the Commonwealth under the Master Settlement Agreement are to be deposited in the Fund. Percentages for distribution of the annual MSA payment for the various Tobacco Settlement Fund programs are provided. Percentages specified in the bill are as follows:

- 13.0% for home and community-based services (2013-14 allocation is \$41,057,000),
- 4.5% for tobacco use prevention and cessation programs (2013-14 allocation is \$14,212,000),
- 12.6% for health-related research (2013-14 allocation is \$39,794,000),
- 1.0% for health-related research based on National Cancer Institute funding formula (2013-14 allocation is \$3,158,000),
- 8.18% for uncompensated care payment program (2013-14 allocation is \$25,834,000),
- 30.0% for Medicaid benefits for workers with disabilities (2013-14 allocation is \$94,748,000),
- 8.0% for PACENET expansion (2013-14 allocation is \$25,266,000), and
- 22.7% shall remain in the fund to be separately appropriated for health-related purposes (2013-14 allocation is \$71,756,000).

All other payments and revenue received other than the annual payment (Strategic Contribution Payments and any payments from the Disputed Payment Account) are to remain in the Tobacco Settlement Fund for appropriation for health-related purposes.

*Fiscal Impact – The percentage allocations together with the Strategic Contribution Payment of \$21,360,193 result in appropriation of \$337,185,000 for Tobacco Settlement Fund health-related programs in 2013-14. In 2012-13, \$337,363,000 was appropriated for Tobacco Settlement Fund health-related programs.*

Health Venture Investment Account - Language is added to require that all assets, nonliquid investments, contractually obligated money, return on investment and any other money or assets in the Health Venture Investment Account be retained in the Account. The Tobacco Settlement Investment Board's ability to enter into any partnerships or long-term investments is suspended for a one-year period which ends June 30, 2014.

*Fiscal Impact -No adverse fiscal impact on Commonwealth funds. Approximately \$25,000,000 is anticipated to be returned from prior Health Venture Investment Account investments in 2013-14 and will be retained in the Account or used for short-term investments.*

### **Pennsylvania Race Horse Development Fund**

The Pennsylvania Race Horse Development Fund is also codified in the Fiscal Code. A restricted receipts account is created to receive weekly transfers of \$802,682 from funds derived from Category 1 licensees and deposited in the Race Horse Development Fund. The transfers shall not exceed \$17,659,000 annually.

*Fiscal Impact -No net adverse impact on Commonwealth funds*

### **Motor License Fund**

Redirects all fines, forfeitures and penalties payable to the Commonwealth for vehicle offenses under 42 Pa.C.S. § 3571 (b) from the Motor License Fund to the General Fund.

*Fiscal Impact -No net overall impact on Commonwealth funds but a reallocation of funds will occur. The Office of the Budget estimates that enactment of this provision will result in increased annual revenue of \$29,500,000 for the General Fund. The Motor License Fund will incur a revenue reduction of the same amount.*

### **Academic Medical Center Allocation**

Section 1729-F is amended to properly direct medical assistance funding for a qualifying academic medical center that re-aligned its affiliation in 2012-13.

*Fiscal Impact -No impact on Commonwealth funds.*

### **2013-14 BUDGET IMPLEMENTATION:**

- Provides implementing language for specific line items as to how funds appropriated in the General Appropriation Act of 2013 are distributed.
- Repeals the articles implementing the 2008-09 budget.

### **Education**

Forty-five million dollars shall be deposited in a restricted receipt account in the General Fund for distribution by the Department of Revenue to a city of the first class if the city enters into a grant agreement for the amount with a school district of the first class that has been declared distressed. The grant agreement does not take effect until the Secretary of Education has issued a written certification that in his judgment the school district has begun implementation of reforms that will provide for the district's fiscal stability, educational improvement and operational control.

Language is also included to specify that the grant made under this new section shall not be considered in satisfying the requirement of section 696(h) of the Public School Code (relating to the School Reform Commission and tax payments).

*Fiscal Impact - The funds to be deposited in the restricted receipt account are prior year funds retained by the Department of Public Welfare for a potential settlement payment to the Federal government in the Title IV-E lawsuit. A settlement agreement is near completion and the \$45,000,000 has been determined by the Office of the Budget to be excess funds available for other purposes.*

### **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 \$9,516,932 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 2013-14 on the CFA's alternative energy tax-exempt bond issues.

*Fiscal Impact -Will result in General Fund savings of \$9,516,932 since the debt service on the CFA alternative energy bonds would have otherwise had to be paid from General Fund revenue.*

### **Public Welfare**

- Directs which appropriations the Department of Public Welfare (DPW) shall disburse to counties participating in the Human Services Block Grant Pilot Program. Provides that a county may adjust expenditure of its Block Grant Pilot Program allocations among the appropriations allocated, in accordance with, and as authorized by, the provisions of Article XIV-B of the Public Welfare Code.

*Fiscal Impact -No adverse impact on Commonwealth funds.*

### **Revenue – Enhanced Revenue Collection Account**

- Extends the Enhanced Revenue Collections Account through 2019-20 (created under Section 1730-L for fiscal years 2010-11 and 2011-12).
- Provides that the balance in the account on each June 15<sup>th</sup> 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 from \$10,000,000 to up to \$15,000,000 annually.

*Fiscal Impact – Reduces the amount of revenue available for transfer to the General Fund by \$5,000,000 annually.*

### **Pennsylvania State Police**

Specifies that money appropriated for general government operations includes adequate funding for the recruitment, education and training of 290 cadets enrolled in a total of three cadet classes.

*Fiscal Impact – No adverse impact on Commonwealth funds.*

### **Historical and Museum Commission**

Provides that moneys appropriated to the Historical and Museum Commission (H&M) include funds for H&M to enter into an agreement with the Department of Conservation and Natural Resources for the management of Washington Crossing Historical Park.

*Fiscal Impact – No adverse impact on Commonwealth funds.*

### **Gaming Control Board**

Specifies that any payment of a slot machine license fee under 4 Pa.C.S. § 1209 received by the Pennsylvania Gaming Control Board after June 30, 2013, shall be deposited in and credited to the General Fund.

*Fiscal Impact – May increase revenue to the General Fund by \$50,000,000 when payment for next slots license is made.*

### **Audits of Race Horse Development Fund.**

Modifies Section 1701-O of the Fiscal Code by clarifying that audits may, rather than shall, make recommendations for changes related to the maintenance, use or administration of Race Horse Development Fund moneys. Adds provisions that horsemen's organizations shall provide any additional information requested by the Office of the Budget within 90 days.

*Fiscal Impact - No adverse fiscal impact on Commonwealth funds.*

### **Manville Property Damage Settlement Account**

A sum of \$100,000 is appropriated from the Manville Property Damage Settlement Account to the Department of Labor and Industry for grants related to asbestos abatement.

*Fiscal Impact – Will reduce the \$2,400,000 balance in the restricted receipts Manville Property Damage Settlement Account by \$100,000. There have been no draws on the restricted account for five or more years.*

### **Oil and Gas Lease Fund**

A declaration is made by the General Assembly that there will be funds available in fiscal 2013-14 in the Oil and Gas Lease Fund to support the appropriations made from the Fund to the Department of Conservation and Natural Resources in the General Appropriation Act of 2013.

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

**PREPARED BY:** Lisa Taglang  
House Appropriations Committee (R)

**DATE:** July 10, 2013

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