



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 1605

PRINTERS NO. 3730

PRIME SPONSOR: James

COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	See Fiscal Impact
Tobacco Settlement Fund	\$0	\$350,158,000
Race Horse Development Fund	\$0	\$28,214,255
Liquor Control Board (LCB)	\$0	See Fiscal Impact

SUMMARY: House Bill 1605, PN 3730, amends The Fiscal Code to provide for FY 2016-17 budget implementation; for FY 2016-17 restrictions on appropriations for funds and accounts; and providing for other changes.

ANALYSIS:

Article II-A Cigarette Sales and Licensing

Section 202-A Cigarette Pricing

Section 202-A is amended, increasing the cost to retailers cigarette minimum pricing provision from 6% to 7%.

Section 214-A Required Records

A new paragraph is added to Section 214-A to require a signed contract documenting a transaction for the sale of cigarettes to be kept on file by each party involved in the sale. The documentation shall be maintained at the location for which the license is issued or at the corporate headquarters in the case of a dealer having more than one location under common ownership.

Section 229-A Violations and Penalties

The section is amended to add a paragraph to provide that any licensee who fails to pay for cigarettes in full no later than fourteen days after delivery shall be in violation of the article.

A new section is added to the article to provide that all powers and jurisdiction for the sale of tobacco products by dealers licensed under the article shall reside with the Commonwealth unless power or jurisdiction is specifically granted to a political subdivision. The section shall not apply to a city of the first class. A second section is also added to provide that notwithstanding the provisions of any other law, a proceeding against a person that is alleged to have sold or furnished tobacco to an individual under 18 years of age during a compliance check conducted under the provisions of 18 Pa.C.S. § 6305 may only be instituted by the issuance of a citation.

Fiscal Impact: Enactment of these provisions will have no adverse impact on Commonwealth funds. It is anticipated that decreases in consumption will offset the increase in minimum pricing.

Article II-B Cancer Control, Prevention and Research

PA Cancer Control, Prevention and Research Advisory

Article II-B re-codifies the Pennsylvania Cancer Control, Prevention and Research Advisory Board in the Department of Health. The board advises the Secretary with respect to cancer control, prevention and research in the Commonwealth. Each year the board approves a program for cancer control, prevention and research, known as the Pennsylvania Cancer Plan. In addition, the department will establish a statewide cancer registry to collect and disseminate data on cases of cancer. With the exception of the cancer registry, the provisions of this article expire on June 30, 2026.

Fiscal Impact: Enactment of this article will have no adverse fiscal impact to Commonwealth funds. This provision extends the Cancer Control, Prevention and Research Advisory Board, which expired June 30, 2016.

Article XIII.1 Disposition of Abandoned and Unclaimed Property

Unclaimed Property

Article XIII.1 is amended by adding a definition of “US Savings Bonds.” A new section is added to the article to allow the State Treasurer to obtain possession of unredeemed and unclaimed U.S. Savings Bonds on behalf of Commonwealth residents. The article is also amended by clarifying when individual retirement accounts are considered abandoned property. The legislation establishes specific notification requirements for the holder of the property to send to the owner prior to reporting the property as unclaimed to the Treasury.

Fiscal Impact: Treasury estimates that enactment of the US Savings Bond provision could collect approximately \$68,000 for FY 2016-17.

Notice and Publication of Lists of Property Subject to Custody and Control of the Commonwealth

Section 1301.12 is amended to remove the requirement that the last known address of persons appearing to be owners of abandoned and unclaimed property be included in published notices. A subsection is also added to provide that compliance with the publication requirements of the section shall be based on best available commercial rates and subject to available appropriations.

Fiscal Impact: Enactment of the amendments to the publication requirements will have no adverse fiscal impact to Commonwealth funds.

Article XVI-B.1 Revising Limitation

Article XVI-B.1 of The Fiscal Code is amended to add a section to specify that notwithstanding section 318 of the Capital Facilities Debt Enabling Act, a redevelopment assistance capital project may receive funds if the project was itemized in a capital project itemization bill or a capital budget bill that was enacted more than 10 years before the date the project is approved provided that the Office of the Budget received an application or other written form of request for redevelopment assistance capital project grant funding for the project from a prospective applicant during the time period from January 9, 2015, through May 18, 2015.

Fiscal Impact – The enactment of this provision will have no adverse fiscal impact as the cap on redevelopment assistance capital project bond funds outstanding is not changed.

Article XVI-E Oil and Gas Wells

Environmental Stewardship Fund

Reduces the statutory annual transfer from the Oil and Gas Lease Fund to the Marcellus Legacy Fund for distribution to the Environmental Stewardship Fund for FY 2016-17 to \$20,000,000 to align with amounts available.

Hazardous Sites Clean Up Fund Transfers

Reduces the statutory annual transfer from the Oil and Gas Lease Fund to the Marcellus Legacy Fund for distribution to the Hazardous Sites Cleanup Fund to \$5,000,000 to align with amounts available.

Fiscal Impact –The enactment of these provisions will have no adverse impact on Commonwealth funds. These transfer amounts reduce the statutory annual transfer amounts from the Oil and Gas Lease fund by \$25,000,000. The transfer amounts are level-funded with 2015-16.

Section 1609-E Oil and Gas Conservation

Section 1609-E is a new section stating that the Oil and Gas Conservation Law does not apply to any well or wells that do not penetrate the Onodaga horizon.

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

Article XVI-J Heritage Area Program

Section 1601-J & 1603-J are amended to update provisions relating to the Heritage Area Program and re-establish the Heritage Parks Program within the Department of Conservation and Natural Resources. DCNR is required to adopt goals, guidelines and policies for the program, and to discuss these annually with each heritage area.

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

Article XVI-K Business in Our Sites Program Account

Section 1601-K is added to recapitalize the Commonwealth Financing Authority's (CFA) Business in Our Sites (BIOS) program by transferring \$50,000,000 from the CFA First Industries Program and \$25,000,000 from the CFA Building Pennsylvania program.

Section 1603-K is added to decrease the amount of grants that may be awarded under the BIOS program to an amount not to exceed 40% of the total amount of financing awarded for a project or \$4,000,000, whichever is less. No more than one-third of the funds made available for the BIOS program including loan repayments and funds transferred pursuant to this act may be used for all BIOS project grants.

Fiscal Impact – The enactment of these provisions will have no adverse fiscal impact on Commonwealth funds or CFA programs.

Article XVI-M- Transportation Network Companies and Motor Carriers Companies

Section 1601-M establishes a certificate of public convenience to be issued by the Public Utility Commission for transportation network companies. In addition, the article enacts a 1% gross receipts tax from all fares charged to all passengers for prearranged rides that originate in the city of the first class. Revenue generated from this assessment will be transferred to the school district and parking authority of the city of the first class. This article expires September 30, 2016, or upon enactment of enabling legislation, whichever is sooner.

Section 1602-M is added to provide the Public Utility Commission with the authority to promulgate temporary regulations within 150 days of the effective date of the section to update taxi and limousine regulations to address technology such as digital or other electronic devices.

Fiscal Impact –The enactment of these provisions will have no adverse impact on Commonwealth funds.

Budget Stabilization Reserve Fund (Rainy Day Fund)

Section 1702-A of the Fiscal Code is amended to state that no amount of the surplus in the General Fund for FY 2015-16 may be deposited into the Budget Stabilization Reserve Fund (Rainy Day Fund).

Fiscal Impact –The enactment of this provision will retain a projected \$497,750 in the General Fund.

Article XVII-A. Special Funds

State Worker’s Insurance Board

The State Worker’s Insurance Board is authorized to invest in financial institutions that are designated as Minority Depository Institution (MDI) or Community Development Financial Institution (CDFI), including preferred stock investments.

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

Tobacco Settlement Fund

The legislation also provides for the distribution of Tobacco Settlement Fund payments for FY 2016-17 as follows:

- 13% to home and community-based services (\$40,197,000);
- 4.5% for tobacco use prevention and cessation (\$13,914,000);
- 12.6% for health related research pursuant to Section 906 of Tobacco Settlement Act (\$38,960,000);
- 1% for health related research for section 909 of the Tobacco Settlement Act (\$3,092,000);
- 8.18% for uncompensated care (\$25,293,000);
- 30% for the purchase of Medicaid benefits for workers with disabilities (\$92,762,000); and
- 30.72% shall remain in the fund and be separately appropriated for health-related purposes (\$94,987,000).

Fiscal Impact – The percentage allocations together with the anticipated Strategic Contribution payment of \$20,952,000 and prior year funds of \$20,000,000 results in appropriations from the Tobacco Settlement Fund for health related programs in FY 2016-17 of \$350,158,000.

Hospital uncompensated care payments and reimbursements for extraordinary expenses

The bill requires the Department of Human Services to issue a report analyzing hospital uncompensated care payments in the Commonwealth.

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

Distributions from PA Race Horse Development Fund

This bill establishes a formula to provide equal weekly transfers to be deposited in the PA Race Horse Development Restricted Receipt Account. Transfers would begin on the effective date of the section and would be set at an amount necessary to provide \$19,659,000 by June 30, 2017. In addition, amended

provisions require the department to transfer \$8,555,255 from the fund to the State Racing Fund for costs associated with the enforcement of medication rules in horse racing.

Fiscal Impact –The enactment of these provisions will provide \$19,659,000 for agricultural-related programs and \$8,555,255 for enforcement of medication rules in horse racing for FY 2016-17.

Miscellaneous Limitations and Transfers

Drug and Alcohol Programs-For FY 2016-17 \$2,500,000 from the sale of liquor and alcohol will be transferred to the Department of Drug and Alcohol Programs.

Natural Gas Infrastructure Fund- moves this fund to the Commonwealth Financing Authority.

Section 1743-A.1 is added to provide for a transfer of \$12,000,000 in 2016-17 from available funding in the CFA Alternative Energy Investment Act High Performance Buildings Program to the Natural Gas Infrastructure Development Fund to provide grants from the CFA for projects which expand access to natural gas infrastructure, including costs associated with limiting environmental impacts and protecting public lands.

Fiscal Impact –The enactment of these provisions will have no adverse impact on Commonwealth funds.

Article XVII-L

2016-2017 Budget Implementation

The legislation provides for funds to the following agencies/offices as follows:

Executive Offices

Pennsylvania Commission on Crime and Delinquency (PCCD) for the following:

- Funds for intermediate punishment treatment programs shall be awarded as competitive grants to counties. The portion dedicated to drug and alcohol treatment programs shall be based on the proportion of incarcerated individuals in a county and shall be no less than 80% of the funds appropriated;
- Clarifies that funding PCCD receives shall be used in part for the Statewide Automated Victim Information and Notification System (SAVIN) and a residential treatment program for at-risk youth;
- Provides funds for an innovative police data sharing pointer index system;
- Provides funds for a diversion program for first time nonviolent offenders facing prison sentences.

Places restrictions on funds appropriated for violence prevention programs.

Treasury Department

Provides no less than \$250,000 for a tuition assistance marketing campaign.

Department of Agriculture

- Provides funding for agricultural research including funding for avian flu research and an agricultural resource center in conjunction with a land-grant university.
- No less than 80% of funds appropriated for hardwood research and promotion shall be equally distributed among hardwood utilization groups.
- From funds appropriated for general government operations, a portion will be transferred to the Dog Law Restricted Account.

- The department may use up to \$165,000 credited to the Agricultural Conservation Easement Purchase Fund to issue grants not to exceed \$3,000 for succession planning to ensure that agricultural operations continue on land subject to agricultural conservation easements.

Department of Community and Economic Development (DCED)

- Funds appropriated from GGO will be used for the creation of an institute in a city of the second class to research and develop healthy building products and for operations of locks and dams necessary to support economic growth and commercial navigation.
- Allocates funding appropriated for marketing to attract tourists.
- Funds appropriated for Keystone Communities to be distributed to a multi-municipal revitalization organization.
- Funds appropriated for regional event security for a national convention and conference.
- Funds appropriated for local municipal emergency relief will be used for a state program to provide assistance to individuals and political subdivisions directly impacted by a natural and man-made disasters or public safety emergencies.

Department of Conservation and Natural Resources (DCNR)

- Allocates funding for the operation and maintenance of the Washington Crossing Historical Park.

Department of Corrections

- Allocates funding for the establishment of a nonnarcotic medication assisted substance abuse treatment grant pilot program.

Department of Drug and Alcohol Programs (DDAP)

- Provides for a program providing treatment for posttraumatic stress disorder for veterans.

Department of Education

- Subject to the availability of funding, the Office of Safe Schools shall have the power and duty to develop telephone hotlines and Internet notification systems to report potential or actual violence or possession of weapons on school property.
- Provides for distribution of funds from mobile science and mathematics education programs.
- From the appropriation for adult and family literacy programs, summer reading programs and the adult high school diplomas program, funds will be allocated for an after-school learning program for low-income students.
- Allocates funding for Pennsylvania Charter Schools for the Deaf and Blind to provide funding for public school employees' retirement payments.
- Provides funds and payments for approved private schools.
- Provides funding for regional community college services.
- Distributes funding provided for community education councils.
- The department of education shall provide an analysis of a proposed separation of a school district into more than one school district. The department may use up to \$50,000 of undistributed funds not expended, encumbered or committed from appropriations for the analysis.
- Maintains the Commonwealth's elimination of payments for Social Security and required contributions for public school employees' retirement to charter and cyber charter schools.

Department of General Services

- Requires the city of Harrisburg to use funds appropriated for Capitol fire protection to support fire services to the Capitol complex.

Department of Health (DOH)

- Ensures that the department continues to coordinate donated dental care services and provides for funds for outreach for Charcot-Marie-Tooth Syndrome.
- Provides funds for a referral center for abnormal metabolic screenings.
- Requires that funds for adult cystic fibrosis and other chronic respiratory illnesses include funds to be used for research.
- Provides that funds appropriated for lupus will be distributed in the same proportion as 2014-2015.
- Provides funds for biotechnology research.

Department of Labor and Industry (L&I)

- The appropriation for payment to the Vocational Rehabilitation Fund includes funding for a statewide professional service provider association for the blind to provide specialized services and prevention of blindness.
- Ensures that the department allocates funding to a program for high school students with disabilities for work-based learning experiences that take place in a competitive integrated environment.
- A portion of the funds appropriated for industry partnerships will be allocated for workforce development for veterans.

Department of Human Services (DHS)

Child care

- TANFBG Child Care Assistance may be transferred to CCDFBG Child Care Services for additional low-income families if no deficit results.
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Mental health services

- Funds appropriated will be used for the continuation and maintenance of the existing network of web portals that provide comprehensive services and support for those with mental illness, and expansion to include resources for military veterans and their families.

Medical assistance

- For FY 2016-2017, payments to Community Access shall be distributed under same formulas as FY 2014-15, or if insufficient funds are available, on a pro rata basis.
- Amounts allocated from funds for fee-for services for Select Plan for Women Preventative Health Services shall be used for women's medical services, including noninvasive contraceptives.
- Separate MA payments shall be made for general hospital stays for healthy newborns and mother's obstetrical care.
- Provides for distributions from fee-for-service care for treatment of cleft palates and other craniofacial abnormalities, clinical ophthalmologic services, improvements at an intensive care facility in an acute care hospital, a \$5 per hour increase in pediatric shift nursing services provided in a home care setting by registered nurses and licensed practical nurses, effective July 1, 2016, for a university to advance protocols related to the treatment and prevention of traumatic brain injury and additional hospital payments.

- MA Capitation includes funding for the treatment of depression in older Pennsylvanians, for an increase in the reimbursement rate for pediatric shift nursing services provided in a home care setting, effective January 1, 2017, and to treat heroin and opioid addiction.
- Provides for funding for a county nursing home with a Medical Assistance occupancy rate of at least 85% and allocations for two nonpublic nursing homes that have a higher than average acuity level.
- Provides funds in long-term care to be allocated to a special rehabilitation facility in Peer Group Number 13 and to nursing facilities with a percentage of medical assistance recipient residents who require medically necessary ventilator care or tracheostomy care greater than 90%.
- Funds appropriated, but not used by level III trauma centers shall, be used to make payments to level I and II trauma centers.
- Provides for the allocation of funds to qualifying university-affiliated physician practice plans and qualifying academic medical centers.
- Funds for medical assistance transportation shall only be utilized as payments of last resort for transportation for eligible medical assistance recipients.

Breast cancer screening

- Permits funds for breast cancer screening to be used for women's medical service including noninvasive contraception supplies.

Women's service programs

- Agencies whose primary function is to promote childbirth and to provide alternatives to abortion may expend funds to provide services to women until childbirth and for up to 12 months thereafter.
 - Allows agencies to subcontract with nonprofits.
 - Prohibits referral for abortion.
- Federal funds for alternatives to abortion shall be utilized solely for women whose gross family income is below 185% of Federal poverty guidelines.

Autism

- Provides for the distribution of funds to providers that participate in the State's Autism Program.

Community Based Family Centers

- No funds appropriated for community-based family centers may be part of the base for calculation of county child welfare needs-based budget for a fiscal year.

MAWD

- Permits the department to adjust premiums with federal approval.

Illegal aliens

- References certain provisions of Federal law relating to who can receive services and reporting duties of providers in dealing with illegal aliens.

Domestic Violence Services

- A statewide organization providing services has until September 30, 2016, to file the audit required by the Solicitation of Funds for Charitable Purposes Act. Until such date, the organization shall continue under its prior year's registration with full rights and permissions under the Act.

Department of Revenue

The Enhanced Revenue Collection Account (ERCA) will continue through FY 2019-20. Revenues collected will be deposited into the account.

- Of the funds in the account, for each of the fiscal years from FY 2016-17 through FY 2019-20, up to \$25,000,000 is appropriated to the department to fund the costs associated with the increased tax collection enforcement and reduction of tax refund errors.
- The balance in account on June 15, 2014, and each June 15 thereafter shall be deposited into the General Fund.
- The department will generate a report to the governor and General Assembly including a detailed breakdown of administrative costs, the amount of revenue collected and the amount of refunds avoided.

Department of Transportation (PENNDOT)

- Prohibits the department from inserting direct mail pieces in mailings sent from the department.

Pennsylvania Emergency Management Agency (PEMA)

- Funds appropriated for search and rescue programs will be used to support programs related to training working service dogs focusing on rescue and public safety.

Pennsylvania Infrastructure Investment Authority

- Distributes \$10,000,000 to fund grants for projects that install infrastructure to ensure clean drinking water.

Pennsylvania Liquor Control Board (PLCB)

- Authorizes the application process and permitting of a national political party conducting its national convention in this Commonwealth.

Section 1726-C. Fund Transfers

Makes the following transfers to the General Fund:

- \$5,000,000 from Alternative Fuels Incentive Fund;
- \$2,000,000 from Local Law Enforcement Block Grants;
- \$9,000,000 from Recycling Fund;
- \$28,500,000 Tobacco Settlement Fund;
- \$9,000,000 from Volunteer Companies Loan Fund;
- \$200,000,000 from the unappropriated surplus of the Pennsylvania Professional Liability Joint Underwriting Association (The sum transferred shall be repaid to the Pennsylvania Professional Liability Joint Underwriting Association over a five-year period commencing July 1, 2018.); and
- \$12,000,000 from the CFA Building Pennsylvania program account.

Section 1712-E. Executive Offices

A paragraph is added to subsection (c) to require the Office of the Budget to begin discussions with the U.S. Department of Treasury within 90 days to establish a reciprocal Treasury Offset agreement previously authorized in law.

Section 1724.1-E. Pennsylvania Gaming Control Board

A subsection is added to provide that for any slot machine license issued in the 2016-2017 fiscal year, the Pennsylvania Gaming Control Board shall require the slot machine license fee and the table games authorization fee to be paid in full no later than June 30, 2017.

Fiscal Impact – The enactment of this provision will provide \$94,800,000 to the General Fund in 2016-17 (\$50,000,000 from slot machine license and \$24,800,000 from table games authorization fee).

Section 1753.1-E. Commonwealth Financing Authority Restricted Revenue Account

A restricted receipts account shall be established in the General Fund for the purpose of making principal and interest payments for outstanding indebtedness of the Commonwealth Financing Authority. The State Treasurer in consultation with the Secretary of the Budget shall transfer from the general revenues of the Commonwealth collected under Article II of the Tax Reform Code of 1971 (relating to sales and use tax) to the restricted revenue account such amounts as may be necessary for the payment of principal and interest obligations.

Fiscal Impact – The enactment of this provision will provide dedicated funds to the restricted account for the \$95,347,000 appropriation for CFA debt service.

Section 1798.1-E. Federal and Commonwealth use of forest land

The section outlines the payments to counties, school districts and townships for Federal and Commonwealth government's use of forest lands as follows:

- Land owned by DCNR, annual charge
 - \$2.00 /acre for the benefit of each county where the property is located
 - \$2.00 /acre for the benefit of the school districts where the property is located
 - \$2.00 /acre for the benefit of the township where the property is located
- Land owned by PA Game Commission or PA Fish and Boat Commission, annual charge
 - \$1.20 /acre for the benefit of each county where the property is located
 - \$1.20 /acre for the benefit of the school districts where the property is located
 - \$1.20 /acre for the benefit of the township where the property is located

These payments will continue only until the funds received are equal to or exceed the amount paid to the Commonwealth from the Federal government for payment lieu of taxes. Payments shall be made from funds available under 4 Pa.C.S. § 1403 (gross terminal revenue) and the Commonwealth agencies which own the property.

Fiscal Impact – No fiscal impact in 2016-17.

Section 1789.2-E Motor License Fund

Section 1789.2-E reduces the Motor License Fund appropriation to the State Police by 4% annually starting in FY 2018-19. By FY 2027-28 the Motor License Fund appropriation to State Police shall not exceed \$500,000,000 or 60% of FY 2016-17 Motor License Fund transfer.

Pennsylvania Liquor Control Board (PLCB)

Section 1799.2-E. Pennsylvania Liquor Control Board Procedure

The PLCB may implement procedures for processing special orders.

Section 1799.3-E. Restaurant Liquor License auction

The PLCB will set dates, times and regulations for auctioning of licenses.

Section 1799.4 E. Liquor Code term

Clarifies the definition of “best-selling items.”

Article XVII-E.4 School District Intercepts

A new article is added to provide for the intercept of school subsidy payments by the Department of Education or the Secretary of Education when annual appropriations have not been enacted by July 1 and continue to be not enacted when a school district debt service payment is due. Any payments made will be deducted from the school district's allocations upon the enactment of a budget. The total amount of all intercept payments may not exceed 50% of the total non-Federal General Fund subsidy payments made to a school district in the prior fiscal year. The Commonwealth may not issue tax anticipation notes or enter into a loan agreement with the Treasury Department to provide cash flow for intercept payments.

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

Section 1729-L – Department of Human Services

Removes the \$5 per hour increase in the reimbursement rate for pediatric shift nursing services provided in a home care setting, effective January 1, 2016.

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