

**SENATE APPROPRIATIONS COMMITTEE
FISCAL NOTE**

BILL NO. House Bill 453

PRINTER NO. 2258

AMOUNT

See Fiscal Impact

FUND

General Fund

DATE INTRODUCED

February 13, 2017

PRIME SPONSOR

Representative Ryan

DESCRIPTION AND PURPOSE OF BILL

House Bill 453 addresses the fiscal operations, revenue and potential liabilities of the Commonwealth to meet the requirements of Article VIII, Section 13 of the Pennsylvania Constitution and to implement the General Appropriation Act of 2017. A summary of the bill's provisions and their related fiscal impacts follows.

FISCAL IMPACT

Enhanced Audit Response Requirements

Imposes a requirement for public agencies and other entities to respond to audit findings and recommendations of the Department of the Auditor General within 120 days of publication of the audit, for the Department to post responses on its publicly accessible website, and for the Department to notify the Governor and the House and Senate Appropriations Committees when no response is provided.

Fiscal Impact: No fiscal impact to the Commonwealth

General Assembly Budget Impasse Loan

Provides for the General Assembly to utilize a loan from a financial institution during a period of budget impasse.

Fiscal Impact: No fiscal impact to the Commonwealth

Audits of Interstate Commissions

Confers on the Auditor General the authority to audit the Susquehanna River Basin Commission and the Delaware River Basin Commission.

Fiscal Impact: No fiscal impact to the Commonwealth

Deposit of Settlement Revenue to the General Fund

Provides for the sum of \$30.4 million from a forthcoming settlement to be deposited in the General Fund.

Fiscal Impact: \$30.4 million of additional revenue to the General Fund

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Payroll Tax

Enables a city of the second class A or a home rule municipality that was previously a city of the second class A to adjust its payroll tax in the second year after the transition to the tax to ensure that payroll tax revenues are equal to revenues from the mercantile or business privilege tax it replaced.

Fiscal Impact: No fiscal impact to the Commonwealth

Oil and Gas Lease Fund

Re-establishes the Oil and Gas Lease Fund. Provides for annual transfers from the Oil and Gas Lease Fund to other Special Funds of the Commonwealth: \$20 million to the Marcellus Legacy Fund for distribution to the Environmental Stewardship Fund and \$15 million to the Hazardous Sites Cleanup Fund.

Fiscal Impact: \$35 million impact to the Oil and Gas Lease Fund

Temporary Cessation of Oil and Gas Wells

Establishes parameters for when a period of nonproduction under an oil and gas lease is a temporary cessation insufficient to terminate an active lease.

Fiscal Impact: No fiscal impact to the Commonwealth

Transportation Network Companies and Philadelphia Parking Authority

Requires taxicabs operating in cities of the first class to pay 1% of the gross receipts from fares charged to passengers to the parking authority on a quarterly basis. In addition, allows the parking authority to suspend or revoke the license of a transportation network company that fails to collect and remit a fee of \$0.40 to the second class A county the airport is located in each time a vehicle accesses an international airport to pick up or drop off a passenger. Further allows for a vehicle up to 15 model years old to be used to provide transportation network service.

Fiscal Impact: No fiscal impact to the Commonwealth

Water and Sewer Projects

Authorizes \$15 million from funds available to the Commonwealth Financing Authority for water and sewer projects with a cost of not less than \$30,000 and not more than \$500,000. Authorizes a transfer of \$10 million from the trust account for the Building Pennsylvania Program to the authority for water and sewer projects with a cost of not less than \$30,000 and not more than \$500,000.

Fiscal Impact: The authorization and transfer will result in an additional \$25 million for water and sewer projects.

Tobacco Settlement Fund

For FY 2017-18 the distribution of Tobacco Settlement Fund payments are as follows:

- 13% for home and community-based services (\$45,706,000);
- 4.5% for tobacco use prevention and cessation programs (\$15,822,000);
- 12.6% for health and related research under Section 906 of the Tobacco Settlement Act (\$44,300,000);

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- 1% for health and related research under Section 909 of the Tobacco Settlement Act (\$3,516,000);
- 8.18% for the Uncompensated Care Payment Program (\$28,760,000);
- 30% for the purchase of Medicaid benefits for workers with disabilities (\$105,476,000); and
- 30.72% shall remain in the fund to be separately appropriated for health-related purposes (\$108,008,000).

Fiscal Impact: The percentage allocations, together with \$10,739,000 from the fund balance, result in appropriations from the Tobacco Settlement Fund for health-related programs in FY 2017-18 of \$362,327,000.

Distributions from the PA Race Horse Development Fund

This bill provides that equal weekly transfers be deposited in the PA Race Horse Development Restricted Receipt Account. Transfers will begin after the effective date of the section and will be set at an amount necessary to provide \$19,659,000 in 22 weekly installments. In addition, this bill provides for the transfer of \$10,066,000 from the fund to the Racing Fund for enforcement of medication rules and regulations.

Fiscal Impact: The enactment of these provisions will provide \$19,659,000 for agricultural-related programs and \$10,066,000 for enforcement of medication rules and regulations in FY 2017-18.

Drug and Alcohol Programs

For FY 2017-18, \$2.5 million from the sale of liquor and alcohol will be transferred to the Department of Drug and Alcohol Programs.

Fiscal Impact: This transfer will result in an additional \$2.5 million for Drug and Alcohol programs.

Workers' Compensation Security Fund

Requires repayment of the \$165 million transfer from the Workers' Compensation Security Fund by July 1, 2019.

Fiscal Impact: Reduces General Fund costs by \$165 million in FY 2017-18

Natural Gas Infrastructure Development Fund

Includes language requiring the Commonwealth Financing Authority to transfer \$6 million from the trust account for the Building Pennsylvania program for use by the authority.

Fiscal Impact: This transfer will result in an additional \$6 million for use in the Natural Gas Infrastructure Development Fund.

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First Chance Trust Fund

Establishes the First Chance Trust Fund as a restricted account in the General Fund. For Department of Corrections contracts exceeding \$5 million annually, requires the selected contractor to contribute the equivalent of 1% of the annual contract amount to the fund. Money in the fund can be used for operating a scholarship program and providing grants to programs that benefit younger individuals in regions of the Commonwealth that have statistically higher dropout or incarceration rates as determined by the Pennsylvania Commission on Crime and Delinquency. The provisions of the bill also permit other Commonwealth agencies to participate in the program.

Fiscal Impact: Approximately \$500,000 to \$1 million will be available for the First Chance Trust Fund when the program is fully operational and all major contracts are subject to the new procurement requirements.

Pennsylvania Malt and Brewed Beverages Industry Promotion Board

Allows members of the Pennsylvania Malt and Brewed Beverages Industry Promotion Board to receive reimbursement from the Department of Agriculture for reasonable expenses incurred with the performance of their duties as members of the board.

Fiscal Impact: This provision will result in no adverse fiscal impact to the Commonwealth.

Definition of Market Value for Proposes of School Subsidy

Includes a new definition for "market value" relating to the calculation of the aid ratio and market value/income aid ratio.

Fiscal Impact: Inclusion of the new definition of "market value" relating to the calculation of the aid ratio and market value/income aid ratio mitigates the impact of the City of Philadelphia's recent reassessment on various future school district subsidies which utilize the aid ratio and market value/income aid ratio. This provision will not result in any additional fiscal impact since the change will allow future subsidy payments to remain consistent with current estimates.

Slot Machine License Deposit

For any slot machine license issued in FY 2017-18, the Gaming Control Board shall require the slot machine license fee to be paid in full no later than June 30, 2018.

Fiscal Impact: Estimated to generate \$50 million in additional General Fund revenue in FY 2017-18.

PlanCon Debt Service Reporting Requirements

Imposes reporting requirements on the Secretary of the Budget related to PlanCon debt service, including a list of transfers from general revenues in the preceding quarter and in the succeeding four quarters, an itemization of principal and interest paid and the timing of those payments in the preceding quarter and in the succeeding four quarters, and an estimate of the total amount of outstanding debt remaining.

Fiscal Impact: No fiscal impact to the Commonwealth

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Unified Judicial System Fees

Extends the \$10 surcharge issued and collected by the Unified Judicial System by three years to December 31, 2020, and authorizes the surcharge to be applied to traffic citations.

Fiscal Impact: Extension of the \$10 surcharge will continue the generation of \$22.3 million annually. In addition, the application of the surcharge to traffic citations is expected to generate an additional \$10 million for the Unified Judicial System.

Multimodal Transportation Fund

Permits the Secretary of Transportation to waive for good cause the requirement for local matching funds. In addition, the match requirements for the Commonwealth Financing Authority portion of the program are waived for municipalities. These provisions expire December 31, 2018.

Fiscal Impact: No fiscal impact to the Commonwealth

SERS and PSERS Defined Contribution Plan Costs

Establishes restricted accounts for the State Employees' Retirement Board and the Public School Employees' Retirement System to receive non-system funding to create and implement Defined Contribution plans.

Fiscal Impact: In FY 2017-18, SERS will receive \$5,269,000, and PSERS will receive \$6,801,000 for these costs.

Public School Building Construction and Reconstruction Advisory Committee

Extends the deadline for the committee report from May 15 until October 31, 2017.

Fiscal Impact: No fiscal impact to the Commonwealth

Enhanced Revenue Collection Account (ERCA)

Increases the amount of revenue the Department is able to utilize for administration of the program from \$25 million to \$30 million annually. Changes the timing of transfers from ERCA to the General Fund from a single, annual transfer in June to a monthly transfer no later than the 28th day of each month. In addition, requires that the value of tax refunds avoided be credited to the Commonwealth's Tax Refunds expense rather than being shown as General Fund revenue.

Fiscal Impact: No fiscal impact to the Commonwealth in FY 2017-18. With the additional funding for program administration, the Department will be able to hire new staff and increase revenue collections in future fiscal years after new staff are hired and trained.