

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 2536

PRINTER NO. 4626

AMOUNT

See Fiscal Impact

FUND

General Fund
Special Funds
Local Funds

DATE INTRODUCED

May 21, 2020

PRIME SPONSOR

Representative James

DESCRIPTION AND PURPOSE OF BILL

House Bill 2536, as amended, amends the Fiscal Code (Act 176 of 1929) to authorize emergency tax anticipation notes. Specifically, it is amended to authorize alternative tax anticipation notes that mature at the end of the next fiscal year.

House Bill 2536 adds new section 193-C to Article I-C Emergency COVID-19 Response to allow a local government unit to borrow money under Title 53 Section 8121 (relating to power to issue tax anticipation notes), subject to the following additional terms:

1. The governing body's anticipation of current taxes or current revenues may include an anticipation that the taxes levied or revenues receivable may not be received, in full or in part, until after the end of the current fiscal year due to the extension of tax filing deadlines, administrative break-down during the proclamation of disaster emergency issued by the Governor on March 6, 2020, published at 50 Pa.B. 1644 (March 21, 2020), and any renewal of the state of disaster emergency, unexpected severe economic contraction or the inability to timely enforce collection due to the proclamation of disaster emergency; and
2. In addition to the other requirements under this subchapter relating to limitations on debt of local government units, a governing body shall establish a maturity date for a tax anticipation note issued under section 8121.1 which shall not be later than the last day of the local government unit's fiscal year in 2022.

The Local Government Unit Debt Act defines a "local government unit" as a county, county institution district, city, borough, incorporated town, township, school district or any similar, general or limited purpose unit of local government or any unit created by joint action of two or more local government units which is authorized to be created by law. The term does not include a city or county of the first class, an authority or any unit created by joint action of two or more local government units which have not been granted by statute the power to issue bonds. The term includes school districts of the first class presently operating under a home rule charter or home rule charter supplement.

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House Bill 2536 includes legislative findings as part of new section 199-C such that the General Assembly finds and declares that the proclamation of disaster emergency issued by the Governor on March 6, 2020, published at 50 Pa.B. 1644 (March 21, 2020), and the resulting global pandemic from COVID-19, has had an unexpected and sudden effect on the citizens, governments and businesses of the Commonwealth, including a material negative effect on the revenues of many local government units.

Under current law, tax anticipation notes (TANs) are borrowing instruments that allow local government units to borrow money for short term or operational purposes. Local government units are required to repay existing TANs by the end of the current fiscal year after revenues have been received during the year. Otherwise, any remaining balance becomes unfunded debt under the existing provisions of LGUDA.

FISCAL IMPACT:

Enactment of this legislation with respect to the authorization of emergency tax anticipation notes for local governments will have no fiscal impact on Commonwealth funds.

As noted by the Local Government Commission, which was consulted in the drafting of this legislation, the COVID-19 pandemic has posed an immediate challenge to municipal fiscal operations throughout the Commonwealth. For many local governments, shifted tax deadlines, resident job losses and emergency-related expenses have the potential to create unprecedented need for financial liquidity tools.

Many local government units likely will not have collected all of the taxes and fees that have been levied during the current fiscal year by the time traditional tax anticipation notes would mature later this fall. The provisions of House Bill 2536 would allow these entities to have more time to repay TANs with a longer maturity term and more flexibility to determine how these economic conditions and unanticipated expenses will affect the local government's ability to maintain its operations over the coming months.

Additional Components of HB 2536

COVID-19 Response Restricted Account

This bill removes the provision directing any unexpended money remaining in the account to be distributed through the County Block Grant and appropriates the money to the Department of Corrections for expenses incurred due to the COVID-19 public health emergency. It also extends the deadline for expending funds for the Regional Response Health Collaboration until December 30, 2020.

Fiscal Impact: The total funds that will be redirected will not be known until the Treasurer notifies the Senate and House of Representatives Appropriation Chairs of the estimated remaining funds as of December 1.

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Harrisburg City Local Services Tax Phase-out

This bill provides for the City of Harrisburg to levy a local services tax at a rate of \$156 for 10 years, at a rate of not more than \$104 for the next five years and not more than \$52 thereafter.

Fiscal Impact: The authority to levy the \$156 local services tax has provided \$4.3 million annually. This provision will allow for the city to continue to levy and collect this tax for the next ten years.

Budget Stabilization Reserve Fund

This bill allows for the transfer of \$100 million to the General Fund for use in FY 2020-21.

Fiscal Impact: This provision will transfer \$100 million of the current \$343 million balance of the Budget Stabilization Reserve Fund to the General Fund for use in FY 2020-21.

COVID-19 Special Fund Transfer

This bill directs the use of \$50 million in special fund transfers that had been transferred in Act 24 of 2020 for emergency use in response to the COVID-19 public health emergency to be transferred to the General Fund.

Fiscal Impact: This provision will transfer the following amounts which had previously been transferred in Act 24 of 2020 for emergency use in response to the COVID-19 public health emergency, to the General Fund for use in FY 2020-21:

Special Fund	Amount
Pennsylvania Infrastructure Bank Fund	\$5,000,000
Surface Mining Conservation and Reclamation Fund	\$4,000,000
Volunteer Company Loan Fund	\$6,000,000
Agriculture Conservation Easement Purchase Fund	\$5,000,000
Underground Storage Tank Indemnification Fund	\$30,000,000
Total:	\$50,000,000

Workers' Compensation Security Fund Transfer

This bill provides that any amount transferred from the fund shall be repaid by the July 1, 2028.

Fiscal Impact: This provision would require the \$185 million transferred to the General Fund be repaid by July 1, 2028.

Keystone Opportunity Zone

This bill provides for the designation of a Keystone Opportunity Improvement Zone for the redevelopment of a former U.S. Steel brownfield site.

Fiscal Impact: This provision will have no fiscal impact in FY 2020-21.

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Regional ATV Pilot Program

This bill provides for the Department of Conservation and Natural Resources to develop a pilot program for the use of ATV vehicles on department lands. The department may use a tag system and charge a fee for access to the pilot area. The fees shall be deposited in the ATV Fund, and a report is due to the General Assembly not after December 31, 2023.

Fiscal Impact: This provision will result in increased revenue to the ATV restricted account as the department may assess a fee for a tag to access the pilot area. The amount of revenue generated by this provision will be dependent on the price of the tag and the number of tags purchased.

Bituminous Mine Subsidence and Land Conservation Act

This bill would prohibit the Department of Environmental Protection from utilizing more than \$280,000 for the completion of the Bituminous Mine Subsidence and Land Conservation report. The amount shall be adjusted for inflation based on the Consumer Price Index.

Fiscal Impact: This provision will reduce spending for completion of this report. The most recent report was completed for \$794,000 in 2018.

Capitol Complex Flags and Signage

This bill limits the display of flags flown over the Capitol or its grounds to the United States flag, the Pennsylvania flag or any flag authorized by the Act 49 of 1970. It also restricts displays to include only navigational, public health or public safety signage outside the Capitol Building, including alcoves, balconies and windows.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Expiration of Temporary Gaming Regulations

The bill provides for the expiration of the temporary regulations for table games, interactive gaming, sports wagering, casino simulcasting and video gaming. The temporary regulations will expire three years after the date of publication.

Fiscal Impact: The provision will have no fiscal impact on Commonwealth funds.

Medical Marijuana Permitting

The bill provides if a person holds a permit to operate as a dispensary and the permit is surrendered, revoked or otherwise forfeited, the permit shall be issued to the next, most-qualified applicant in the same region.

Fiscal Impact: The provision will have no fiscal impact on Commonwealth funds.

Fort Indiantown Gap Solar Exemption

This bill provides for changes in the definition of 'customer-generator' to include systems owned and operated by the Department of Military and Veterans Affairs.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth Funds.

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Electronic Visit Verification

The federal 21st Century Cures Act requires Pennsylvania to implement a system of electronic visit verification (EVV) for personal care services and home health care services provided and reimbursed under Medicaid. This bill provides the Department of Human Services the ability to deny claims utilizing the EVV system.

Fiscal Impact: This provision will have no negative fiscal impact on Commonwealth funds. The Commonwealth could see savings to the extent that the new EVV system identifies fraudulent claims.

Military Installation Remediation Program Fix

This bill provides the necessary confidentiality provisions needed for the authority to have access to taxpayer information of those participating in the Military Installation Remediation Program at the former Naval Air Station at Willow Grove, Bucks County.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Alternative Energy Portfolio Standards Act Tier II Border Closure

This bill will prohibit Tier II alternative energy providers located outside the Commonwealth from receiving Tier II credits toward the Commonwealth's compliance with the Alternative Energy Portfolio Standards Act.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Nursing Home Day One Payments

The bill allocates medical assistance (MA) day-one incentive payments to qualified non-public nursing homes for fiscal year 2020-2021 at \$16 million.

Fiscal Impact: The provision makes \$16 million available to qualified non-public nursing homes for this purpose.

PENNVEST – PFAS

This bill provides for \$3,970,600 to be used for grants to address PFAS contamination in Montgomery County.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Agricultural Fair Funding

This bill provides that annual agricultural fairs receive the same amount of funding as in 2019, even if the fair was canceled in 2020 due to the COVID-19 public health emergency.

Fiscal Impact: This provision requires the same amount (\$4 million) appropriated in FY 2019-20 to be again distributed to eligible fairs in FY 2020-21.

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Fund Transfers

This bill provides for the following fund transfers:

- The transfer of \$49,762,000 from the amount appropriated to the Department of Education for COVID to the School Safety and Security Fund, as provided for in Act 23 of 2020.
- The transfer of \$13,782,000 from revenues from the Personal Income Tax to the Environmental Stewardship Fund, as provided for in Act 23 of 2020.
- The transfer of not more than \$200 million from revenues from the Personal Income Tax to the Property Tax Relief Fund if the Secretary of the Budget determines the fund has insufficient funds to provide for \$621 million in property tax relief.
- The following transfers are from special funds to the General Fund for FY 2020-21:

Special Fund	Amount
Cigarette Fire Safety & Firefighter Protection Fund	\$150,000
Energy Development Fund	\$1,000,000
Environmental Education Fund	\$500,000
Highway Beautification Fund	\$150,000
Historical Preservation Fund	\$4,000,000
Industrial Sites Cleanup Fund	\$10,000,000
Industrial Sites Environmental Assessment Fund	\$7,500,000
Insurance Regulation & Oversight Fund	\$10,000,000
Job Training Fund	\$375,000
Judicial Computer System Augmentation Account	\$30,000,000
Local Government Capital Project Loan Fund	\$2,000,000
Machinery & Equipment Loan Fund	\$5,000,000
Medical Marijuana Program Fund	\$20,000,000
PENNVEST Fund	\$10,000,000
PENNVEST Drinking Water Fund	\$26,500,000
PENNVEST Water Pollution Control Fund	\$9,000,000
Racing Fund	\$10,000,000
Recycling Fund	\$50,000,000
Workers' Compensation Security Fund	\$185,000,000
Total:	\$381,175,000