

**FISCAL CODE - OMNIBUS AMENDMENTS**  
**Act of Jun. 30, 2011, P.L. 159, No. 26**  
Session of 2011  
No. 2011-26

Cl. 72

SB 907

AN ACT

Amending the act of April 9, 1929 (P.L.343, No.176), entitled, as amended, "An act relating to the finances of the State government; providing for the settlement, assessment, collection, and lien of taxes, bonus, and all other accounts due the Commonwealth, the collection and recovery of fees and other money or property due or belonging to the Commonwealth, or any agency thereof, including escheated property and the proceeds of its sale, the custody and disbursement or other disposition of funds and securities belonging to or in the possession of the Commonwealth, and the settlement of claims against the Commonwealth, the resettlement of accounts and appeals to the courts, refunds of moneys erroneously paid to the Commonwealth, auditing the accounts of the Commonwealth and all agencies thereof, of all public officers collecting moneys payable to the Commonwealth, or any agency thereof, and all receipts of appropriations from the Commonwealth, authorizing the Commonwealth to issue tax anticipation notes to defray current expenses, implementing the provisions of section 7(a) of Article VIII of the Constitution of Pennsylvania authorizing and restricting the incurring of certain debt and imposing penalties; affecting every department, board, commission, and officer of the State government, every political subdivision of the State, and certain officers of such subdivisions, every person, association, and corporation required to pay, assess, or collect taxes, or to make returns or reports under the laws imposing taxes for State purposes, or to pay license fees or other moneys to the Commonwealth, or any agency thereof, every State depository and every debtor or creditor of the Commonwealth," providing for time for filing returns for certain sales and use taxpayers; establishing a restricted account within the Agricultural College Land Scrip Fund; in borrowing for capital facilities, further providing for definitions, for Neighborhood Improvement Zone Fund, for Keystone Opportunity Zone and for duration and providing for Commonwealth pledges and for confidentiality, providing for financially distressed municipalities and for Keystone Special Development Zone; in education tax credits, making an editorial change and providing for Department of Revenue and for Department of Community and Economic Development; in special funds, further providing for funding and reviving and further providing for investments; providing for 2011-2012 budget implementation and restrictions; in general budget implementation, further providing for executive offices and for the Auditor General, providing for Pennsylvania Infrastructure Investment Authority Accounts, further providing for the Pennsylvania Higher Education Assistance Agency, repealing provisions related to the Legislative Department, providing for the Catastrophic Loss Benefits Continuation Fund and further providing for the State Gaming Fund; in 2010-2011 budget implementation, further providing for the Department of Education; providing for audits; and making related repeals.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, is amended by adding sections to read:

**Section 202.2. Time for Filing Returns for Certain Sales and Use Taxpayers.--**(a) Notwithstanding section 217 of the act of March 4, 1971 (P.L.6, No.2), known as the "Tax Reform Code of 1971," after May 31, 2011, for every sales and use tax licensee whose total sales and use tax reported or required to be reported for the third calendar quarter of the preceding year equals or exceeds twenty-five thousand dollars (\$25,000), the licensee shall, on or before the twentieth day of each month, file a single sales and use tax return consisting of all of the following:

(1) Except as provided in paragraph (2), an amount equal to fifty per centum of the licensee's total sales and use tax liability reported or required to be reported for the same month in the preceding calendar year if the licensee was a monthly sales and use tax filer. If the licensee was a quarterly or semi-annual sales and use tax filer, an amount equal to fifty per centum of the licensee's average total sales and use tax liability reported or required to be reported for that tax period in the preceding calendar year. The average total sales and use tax liability shall be the total sales and use tax liability reported or required to be reported for the tax period divided by the number of months in that tax period. For licensees that were not in business during the same month in the preceding calendar year or were in business for only a portion of that month, an amount equal to fifty per centum of the average total sales and use tax liability reported or required to be reported for each tax period the licensee has been in business. If the licensee is filing a sales and use tax liability for the first time with no preceding tax periods, the amount shall be zero.

(2) For a return due June 20, 2011, the percentage used in the calculation under paragraph (1) shall be fifty-five per centum.

(3) An amount equal to the sales and use taxes due for the preceding month, less any amounts paid in the preceding month as required by paragraph (1).

(b) The sales and use tax required to be reported under this section shall be due and payable by the licensee on the day the return is required to be filed and all payments must accompany the return.

(c) The department shall determine whether the amounts reported under this section shall be remitted as one combined payment or as two separate payments.

(d) The department may require the filing of the returns and the payments for filers under this section by electronic means approved by the department.

(e) If a licensee required to remit payments under this section fails to make a timely payment or makes a payment which is less than the required amount, the department may, in addition to any applicable penalties, impose an additional penalty equal to five per centum of the amount due under this section which was not timely paid. The penalty under this subsection shall be determined when the tax return is filed for the tax period.

(f) A reference in statute or regulation to section 217 of the "Tax Reform Code of 1971" shall also be deemed a reference to this section.

Section 507. Restricted Account within Agricultural College Land Scrip Fund.--(a) A restricted account is hereby established within the Agricultural College Land Scrip Fund for the purpose of funding agricultural research programs and agricultural extension services.

(b) The restricted account established under this section shall consist of such moneys as are appropriated or transferred to the restricted account.

(c) Following an appropriation or transfer, the State Treasurer shall pay, on an equal monthly basis during the fiscal year, the money in the restricted account to the Commonwealth's land grant university for agricultural research programs and for agricultural extension services.

(d) Money deposited in the Agricultural College Land Scrip Fund prior to the effective date of this section, and the interest earned thereon, shall be paid pursuant to the act of April 1, 1863 (P.L.213, No.227), entitled "An act to accept the grant of Public Lands, by the United States, to the several states, for the endowment of Agricultural Colleges," and the act of May 7, 1923 (P.L.145, No.110), entitled "An act providing for the redemption and cancellation of the bond issued under the act, approved April third, one thousand eight hundred and seventy-two (Pamphlet Laws, thirty-nine), entitled 'An act directing the sale of the bonds composing the Agricultural College land scrip fund, and authorizing the issue of a new bond in lieu thereof, and abolishing the board commissioners created by act of April first, one thousand eight hundred and sixty-three,' and for the investment of the moneys in the fund resulting from such redemption, and the payment of the interest therefrom by the Sinking Fund Commission to Pennsylvania State College."

Section 1.1. The definition of "contracting authority" in section 1602-B of the act, added October 9, 2009 (P.L.537, No.50), is amended and the section is amended by adding definitions to read:

Section 1602-B. Definitions.

The following words and phrases when used in this article shall have the meanings given to them in this section unless the context clearly indicates otherwise:

**"Bonds." Includes notes, instruments, refunding notes and bonds and other evidences of indebtedness or obligations.**

\* \* \*

**"Contracting authority." An authority created under 53 Pa.C.S. Ch. 56 (relating to municipal authorities) for the purpose of designating a neighborhood improvement zone and constructing a facility or other authority created under the laws of this Commonwealth which is eligible to apply for and receive redevelopment assistance capital grants under Chapter 3 of the act of February 9, 1999 (P.L.1, No.1), known as the Capital Facilities Debt Enabling Act[, and which is under a contract with the Office of the Budget to receive those grants].**

**"Department." The Department of Revenue of the Commonwealth.**

\* \* \*

Section 1.2. Section 1604-B(b) introductory paragraph and (9), (c) introductory paragraph, (d) and (e) of the act, added October 9, 2009 (P.L.537, No.50), are amended and the section is amended by adding subsections to read:

Section 1604-B. Neighborhood Improvement Zone Fund.

\* \* \*

(a.1) Certification.--

(1) Within 30 days of the end of each calendar year, each qualified business shall file a report with the department which complies with all of the following:

(i) States each State tax, calculated in accordance with subsection (b), which was paid by the qualified business in the prior calendar year.

(ii) Lists each State tax refund which complies with all of the following:

(A) The refund is for a tax:

(I) set forth in subsection (b); and

(II) certified as paid under subsection (b).

(B) The refund was received in the prior calendar year by the qualified business.

(iii) Is in a form and manner required by the department.

(2) In addition to any penalties imposed under the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, for failure to timely pay State taxes, failure to file a timely and complete report under paragraph (1) shall result in the imposition of a penalty of 10% of all State taxes, calculated in accordance with subsection (b), which were payable by the qualified business in the prior calendar year.

(3) Any penalty imposed under this subsection shall be imposed, assessed and collected by the department under the provisions for imposing, assessing and collecting penalties under Article II of the Tax Reform Code of 1971. When the penalty is received, the money shall be transferred from the General Fund to the fund.

(4) Within 30 days of the end of each calendar year, each qualified business shall file a report with the local taxing authority reporting all local taxes, calculated in accordance with subsection (b), which were paid by the qualified business in the prior calendar year. The report from each qualified business shall also list any local tax refunds of taxes set forth in subsection (b) received in the prior calendar year by the qualified business and any refunds related to the local taxes as calculated in accordance with subsection (b). The report shall be in a form and manner required by the department.

(b) Calculation.--Within 60 days of the end of each [quarter] **calendar year**, the [Department of Revenue shall calculate the amounts under this subsection for improvement and development in the neighborhood improvement zone, the facility complex and the facility. The contracting authority shall provide good faith estimates of quarterly amounts to be calculated in a form and manner required by the Department of Revenue. The Department of Revenue] **department** shall [estimate the quarterly amounts, subject to an annual reconciliation, and shall] certify the amounts **of State taxes paid, less any State tax refunds received, by the qualified businesses filing reports under subsection (a.1)(1) to the Office of the Budget [within 90 days of the end of a fiscal quarter]. Beginning in 2012 and in each calendar year thereafter, by November 1, the department shall calculate, in accordance with this subsection, amounts of State taxes actually received by the Commonwealth from each qualified business that filed a report under subsection (a.1)(1) in the prior calendar year, and the department shall certify the amounts received to the office.** An entity collecting a local tax within the neighborhood improvement zone shall, within 30 days of the end of [a fiscal quarter] **each calendar year**, submit

all of the local taxes [collected that are to be calculated under this subsection] **that are to be calculated under this subsection and which were paid in the prior calendar year, less any certified local tax refunds received by a qualified business in the prior calendar year,** to the State Treasurer [for transfer] to be deposited in the fund under subsection (d). **This subsection shall not apply to any taxes subject to a valid pledge or security interest entered into in order to secure debt service on bonds if the pledge or security interest was entered into prior to May 1, 2011, and is still in effect.** The following shall be the amounts calculated and certified :

\* \* \*

(9) Except for a tax levied against real property and **notwithstanding any other law,** an amount equal to any tax imposed by the Commonwealth or any of its political subdivisions on a qualified business engaged in an activity within the neighborhood improvement zone **or directly or indirectly on any sale or purchase of goods or services, where the point of sale or purchase is within the neighborhood improvement zone.**

(c) [Income] **State tax liability** apportionment.--For the purpose of making the calculations under subsection (b), the [taxable income of a corporation that is] **State tax liability of** a qualified business shall be apportioned to the neighborhood improvement zone by multiplying the Pennsylvania [taxable income] **State tax liability** by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor and the denominator of which is three, in accordance with the following:

\* \* \*

(d) Transfers.--

(1) Within ten days of receiving [notification] **certification** under subsection (b), the Secretary of the Budget shall direct the State Treasurer to, notwithstanding any other law, transfer the amounts [calculated] **certified** under subsection (b) from the General Fund to the fund. **Beginning in 2013 and in each year thereafter, the amounts certified by the secretary to the State Treasurer and the amounts transferred by the State Treasurer to the fund shall be determined as follows:**

(i) Add amounts certified by the department under subsection (b) for the prior calendar year.

(ii) Subtract from the sum under subparagraph (i) any State tax refunds paid as certified by the department under subsection (b).

(iii) Add to the difference under subparagraph (ii) any amounts certified under subsection (b) with respect to the second prior calendar year.

(iv) Subtract from the sum under subparagraph (iii) any amounts certified under subsection (b) which are less than the amounts previously certified under subsection (b) with respect to the second prior calendar year.

(2) The State Treasurer shall provide [quarterly payments] **an annual transfer** to the contracting authority until the bonds issued to finance **and refinance** the improvement and development of the neighborhood improvement zone and the construction of the [contracted] facility or facility complex are retired. [The payment in each quarter] **Each annual transfer to the contracting authority** shall be equal to the balance of the fund on the [last day of the

prior calendar quarter] **date of the transfer under paragraph (1) .**

(e) Restriction on use of funds.--Funds transferred under subsection (d):

(1) May only be utilized for payment of debt service on bonds issued for the improvement and development of all or any part of the neighborhood improvement zone and the purpose of constructing a facility or facility complex, **for payment of debt service on bonds issued to refund those bonds and to replenish amounts required in any debt service reserve funds established to pay debt service on bonds. The term of a bond to be refunded shall not exceed the maximum term permitted for the original bond issued for the improvement or development of the neighborhood improvement zone and the construction of a facility or facility complex.**

(2) May not be utilized for purposes of renovating or repairing a facility or facility complex, except for capital maintenance and improvement projects.

\* \* \*

(g) **Excess money.--**Within 30 days of the end of each calendar year, any money remaining in the fund at the end of the prior calendar year after the required payments under subsection (d) (2) were made in the prior calendar year shall be refunded in the following manner:

(1) Money shall first be returned to the General Fund to the extent that the excess money is part of the transfer under subsection (d) (1).

(2) Money shall next be paid to the contracting authority to the extent that the amounts paid under subsection (d) (2) consisted of local taxes. The contracting authority shall return the money to the appropriate entities collecting local tax who submitted the local taxes to the State Treasurer under subsection (b).

Section 1.3. Sections 1605-B and 1606-B of the act, added October 9, 2009 (P.L.537, No.50), are amended to read:  
Section 1605-B. Keystone Opportunity Zone.

[Within 30 days of the effective date of this section] **Before September 1, 2011**, the city shall apply to the [department] **Department of Community and Economic Development** to decertify and remove the designation of all or part of the Keystone Opportunity Zone [in accordance with] **on behalf of all political subdivisions. The provisions of section 309 of the act of October 6, 1998 (P.L.705, No.92), known as the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act shall be deemed satisfied as to all political subdivisions.** The [department] **Department of Community and Economic Development** shall act on the application within 30 days.

Section 1606-B. Duration.

The neighborhood improvement zone shall be in effect for a period equal to [the length of time of the bonds that are initially issued.] **one year following retirement of all bonds issued to finance or refinance the improvement and development of the neighborhood improvement zone or the construction of the facility or the facility complex. The maximum term of the bond, including the refunding of the bond, shall not exceed 30 years.**

Section 1.4. The act is amended by adding sections to read:  
Section 1607-B. Commonwealth pledges.

If and to the extent that the contracting authority pledges amounts required to be transferred to the fund under section 1604-B for the payment of bonds issued by the contracting

authority, until all bonds secured by the pledge of the contracting authority, together with the interest on the bonds, are fully paid or provided for, the Commonwealth pledges to and agrees with any person, firm, corporation or government agency, whether in this Commonwealth or elsewhere, and to and with any Federal agency subscribing to or acquiring the bonds issued by the contracting authority that the Commonwealth itself will not, nor will it authorize any government entity to, abolish or reduce the size of the neighborhood improvement zone; to amend or repeal section 1604-B(a.1), (b) or (d); to limit or alter the rights vested in the contracting authority in a manner inconsistent with the obligations of the contracting authority with respect to the bonds issued by the contracting authority; or to otherwise impair revenues to be paid under this article to the contracting authority necessary to pay debt service on bonds. Nothing in this section shall limit the authority of the Commonwealth or any government entity to change the rate, tax bases or any subject of any specific tax or repealing or enacting any tax.

Section 1608-B. Confidentiality.

Notwithstanding any law providing for the confidentiality of tax records, the contracting authority and the local taxing authorities shall have access to any reports and certifications filed under this article, and the contracting authority shall have access to any State or local tax information filed by a qualified business in the Neighborhood Improvement Zone solely for the purpose of documenting the certifications required by this article. Any other use of the tax information shall be prohibited as provided under law.

Section 1.5. The act is amended by adding an article to read:

#### ARTICLE XVI-D.1

##### FINANCIALLY DISTRESSED MUNICIPALITIES

Section 1601-D.1. Administrative oversight.

(a) Scope of article.--This section applies to a city of the third class which is determined to be financially distressed under section 203 of the act of July 10, 1987 (P.L.246, No.47), known as the Municipalities Financial Recovery Act.

(b) Limitation on bankruptcy.--Notwithstanding any other provision of law, including section 261 of the Municipalities Financial Recovery Act, no distressed city may file a petition for relief under 11 U.S.C. Ch. 9 (relating to adjustment of debts of a municipality) or any other Federal bankruptcy law, and no government agency may authorize the distressed city to become a debtor under 11 U.S.C. Ch. 9 or any other Federal bankruptcy law.

(c) Penalty.--If a city subject to this section fails to comply with subsection (b), all Commonwealth funding to the city shall be suspended.

(d) Expiration.--This section shall expire July 1, 2012.

Section 1.6. Article XVI-F heading of the act, added July 6, 2010 (P.L.279, No.46), is amended to read:

#### ARTICLE XVI-F

[ (RESERVED) ]

##### KEYSTONE SPECIAL DEVELOPMENT ZONE

Section 1.7. The act is amended by adding sections to read:

Section 1601-F. Scope of article.

This article relates to the Keystone Special Development Zone program.

Section 1602-F. Definitions.

The following words and phrases when used in this article shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Affiliate." As follows:

(1) an entity which is part of the same "affiliated group," as defined in section 1504(a) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 1504(a)), as a Keystone Special Development Zone employer; or

(2) an entity that would be part of the same "affiliated group" except that the entity or the Keystone Special Development employer is not a corporation.

"Department." The Department of Community and Economic Development of the Commonwealth.

"Employee." An individual who:

(1) is employed in this Commonwealth by a Keystone Special Development Zone employer, or its predecessor, after the effective date of this article;

(2) is employed for at least 35 hours per week by a Keystone Special Development Zone employer; and

(3) spends at least 90% of his or her working time for the Keystone Special Development Zone employer at the Keystone Special Development Zone location.

"Full-time equivalent employee." The whole number of employees, rounded down, that equals the sum of:

(1) the total paid hours, including paid time off and family leave under the Family and Medical Leave Act of 1993 (Public Law 103-3, 29 U.S.C. § 2601 et seq.), of all of a Keystone Special Development Zone employer's employees classified as nonexempt during the Keystone Special Development Zone employer's tax year divided by 2000; and

(2) a total number arrived at by adding, for each Keystone Special Development Zone employer's employee classified as exempt scheduled to work at least 35 hours per week, the fraction equal to the portion of the year the exempt employee was paid by the Keystone Special Development Zone employer. Whether an employee shall be classified as exempt or nonexempt shall be determined under the Fair Labor Standards Act of 1938 (52 Stat. 1060, 29 U.S.C. § 201 et seq.).

The calculation under this definition excludes employees previously employed by an affiliate and employees previously employed by the Keystone Special Development Zone employer outside of a Keystone Special Development Zone.

"Keystone Special Development Zone." A parcel of real property that meets all of the following:

(1) On July 1, 2011, was within a special industrial area, as described in section 305(a) of the act of May 19, 1995 (P.L.4, No.2), known as the Land Recycling and Environmental Remediation Standards Act, for which the Department of Environmental Protection has executed a special industrial area consent order and agreement, as provided under section 502(a) of the Land Recycling and Environmental Remediation Standards Act.

(2) On July 1, 2011, had no permanent vertical structures affixed to it.

(3) Is certified by the Department of Environmental Protection as meeting the requirements of paragraphs (1) and (2).

"Keystone Special Development Zone employer." A person or entity subject to the taxes imposed under Article III, IV, VI, VII, VIII or XV of the act of March 4, 1971 (P.L.6, No.2) known as the Tax Reform Code of 1971, who employs one or more

employees at a Keystone Special Development Zone. The term shall include a pass-through entity. The term shall not include any of the following:

(1) An employer who, after January 1, 1990, intentionally or negligently caused or contributed to, in any material respect, a level of regulated substance above the cleanup standards in the act of May 19, 1995 (P.L.4, No.2), known as the Land Recycling and Environmental Remediation Standards Act, on, in or under the Keystone Special Development Zone at which an employee is employed.

(2) An employer engaged in construction improvements on a Keystone Special Development Zone.

"Pass-through entity." A partnership as defined in section 301(n.0) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, or a Pennsylvania S corporation as defined in section 301(n.1) of the Tax Reform Code of 1971.

"Qualified tax liability." Any tax owed by a Keystone Special Development Zone employer attributable to a business activity conducted within a Keystone Special Development Zone for a tax year under Article III, IV, VI, VII, VIII or XV of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971.

Section 1603-F. Keystone Special Development Zone tax credit.

(a) Tax credit.--A Keystone Special Development Zone employer shall be entitled to claim a tax credit against its qualified tax liability as provided in this article.

(b) Process.--

(1) A Keystone Special Development Zone employer shall notify the department of its qualification for a tax credit under this article by February 1 for tax credits earned during a taxable year ending in the prior calendar year.

(2) The notification shall contain the following:

(i) The name, address and taxpayer identification number of the Keystone Special Development Zone employer.

(ii) Verification that it is a Keystone Special Development Zone employer located in a Keystone Special Development Zone.

(iii) The names, addresses and Social Security numbers of all employees for which the credit is claimed.

(iv) Verification that each employee identified in subparagraph (iii) spent at least 90% of the employee's working time for the Keystone Special Development Zone employer at the employer's Keystone Special Development Zone location.

(v) Any other information required by the department.

(3) To qualify for the credit, the Department of Revenue must certify that the Keystone Special Development Zone employer is current with all tax liabilities.

(4) By March 1 of each year, the department shall send the Keystone Special Development Zone employer who submitted the notification a certificate of its qualification for the credit, which certificate the Keystone Special Development Zone employer shall present to the Department of Revenue when filing its return claiming the credit.

(c) Amount.--The amount of the tax credit a Keystone Special Development Zone employer may earn in any tax year shall be equal to \$2,100 for each full-time equivalent employee in excess of the number of full-time equivalent employees employed by the Keystone Special Development Zone employer prior to January 1, 2012.

(d) Application of tax credits.--A Keystone Special Development Zone employer must first use its Keystone Special Development Zone tax credit against its qualified tax liability.

(d.1) Sale or assignment of tax credit.--

(1) If the Keystone Special Development Zone employer is entitled to a credit in any year that exceeds its qualified tax liability for that year, upon application to and approval by the department, a Keystone Special Development Zone employer which has been awarded a tax credit may sell or assign, in whole or in part, the tax credit granted to the Keystone Special Development Zone employer. The application must be on the form required by the department and must include or demonstrate all of the following:

(i) The applicant's name and address.

(ii) A copy of the tax credit certificate previously issued by the department.

(iii) A statement as to whether any part of the tax credit has been applied to tax liability of the applicant and the amount so applied.

(iv) Any other information required by the department.

(2) The department shall review the application and, upon being satisfied that all requirements have been met, shall approve the application and shall notify the Department of Revenue.

(3) The purchaser or assignee of all or a portion of a Keystone Special Development Zone tax credit under this section shall claim the credit in the taxable year in which the purchase or assignment is made. The purchaser or assignee of a tax credit may use the tax credit against any tax liability of the purchaser or assignee under Article III, IV, VI, VII, VIII or XV of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971. The amount of the tax credit used may not exceed 75% of the purchaser's or assignee's tax liability for the taxable year. The purchaser or assignee may not carry over, carry back, obtain a refund of or assign the Keystone Special Development Zone credit. The purchaser or assignee shall notify the department and the Department of Revenue of the seller or assignor of the Keystone Special Development Zone tax credit in compliance with procedures specified by the department.

(e) Use and carryforward.--

(1) A Keystone Special Development Zone employer may earn the tax credit allowed under this article beginning in any tax year beginning in 2012 and for a period of up to ten tax years during the 15-year period beginning July 1, 2012, and ending June 30, 2026.

(2) A Keystone Special Development Zone employer may carry forward for up to ten years a tax credit earned under this article:

(i) which it is unable to use; or

(ii) which it does not sell or assign.

(3) Tax credits carried forward under paragraph (2) shall be used on a first-in-first-out basis.

(f) Dual-use prohibited.--In a given year, a Keystone Special Development Zone employer may only earn tax credits under subsection (c) or (d) or under the act of October 6, 1998 (P.L.705, No.92), known as the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act. A Keystone Special Development Zone

employer may not claim a credit under both this section and Article XVIII-B of the Tax Reform Code of 1971.

(g) Pass-through entities.--

(1) If a Keystone Special Development Zone employer is a pass-through entity and it has any unused tax credit under subsection (c), (d) or (e), it may elect in writing, according to procedures established by the Department of Revenue, to transfer all or a portion of the credit to shareholders, members or partners in proportion to the share of the entity's distributive income to which the shareholder, member or partner is entitled.

(2) A Keystone Special Development Zone employer that is a pass-through entity and a shareholder, member or partner of that Keystone Special Development Zone employer may not both claim the Keystone Special Development Zone tax credit earned by the Keystone Special Development Zone employer for any tax year.

(3) A shareholder, member or partner of a Keystone Special Development Zone employer that is a pass-through entity to whom a credit is transferred under this subsection shall immediately claim the credit in the taxable year in which the transfer is made.

(h) Transfer.--Any tax credit or tax credit carryforward that a Keystone Special Development Zone employer is entitled to use may be transferred to a successor entity of the Keystone Special Development Zone employer.

(i) Penalties.--The following shall apply:

(1) A company which receives Keystone Special Development Zone tax credits and fails to substantially maintain the operations related to the Keystone Special Development Zone tax credits in this Commonwealth for a period of five years from the date the company first submits a Keystone Special Development Zone tax credit certificate to the Department of Revenue shall be required to refund to the Commonwealth the total amount of credits granted, with interest and a penalty of 20% of the amount of credits granted.

(2) The department may waive the penalties in subsection (a) if it is determined that a company's operations were not maintained or the new jobs were not created because of circumstances beyond the company's control. Circumstances include natural disasters, unforeseen industry trends or a loss of a major supplier or market.

Section 1604-F. Tax liability attributable to Keystone Special Development Zone.

(a) Determinations of attributable tax liability.--Tax liability attributable to business activity conducted within a Keystone Special Development Zone shall be computed, construed, administered and enforced in conformity with Article III, IV, VI, VII, VIII or XV of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, whichever is applicable, and with specific reference to the following:

(1) If the entire business of the employer in this Commonwealth is transacted wholly within the Keystone Special Development Zone, the tax liability attributable to business activity within a Keystone Special Development Zone shall consist of the Pennsylvania income as determined under Article III, IV, VI, VII, VIII or XV, whichever is applicable, of the Tax Reform Code of 1971.

(2) If the entire business of the employer in this Commonwealth is not transacted wholly within the Keystone Special Development Zone, the tax liability of an employer

in a Keystone Special Development Zone shall be determined upon such portion of the Pennsylvania tax liability of such employer attributable to business activity conducted within the Keystone Special Development Zone and apportioned in accordance with subsection (b).

(b) Tax liability apportionment.--The tax liability of an employer shall be apportioned to the Keystone Special Development Zone by multiplying the Pennsylvania tax liability by a fraction, the numerator of which is the property factor plus the payroll factor and the denominator of which is two, in accordance with the following:

(1) The property factor is a fraction, the numerator of which is the average value of the employer's real and tangible personal property owned or rented and used in the Keystone Special Development Zone during the tax period and the denominator of which is the average value of the employer's real and tangible personal property owned or rented and used in this Commonwealth during the tax period but shall not include the security interest of any employer as seller or lessor in personal property sold or leased under a conditional sale, bailment lease, chattel mortgage or other contract providing for the retention of a lien or title as security for the sale price of the property.

(2) The payroll factor is a fraction, the numerator of which is the total amount paid in the Keystone Special Development Zone during the tax period by the employer to an employee as compensation and the denominator of which is the total compensation paid by the employer in this Commonwealth during the tax period.

Section 1.8. The heading of Article XVI-H of the act, added July 6, 2010 (P.L.279, No.46), is amended to read:

ARTICLE XVI-H  
[EDUCATIONAL] TAX CREDITS

Section 1.9. The act is amended by adding sections to read:  
**Section 1602-H. Department of Revenue.**

For fiscal year 2011-2012 and each fiscal year thereafter and notwithstanding section 1709-B(a) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, the amount of credits approved by the Department of Revenue under Article XVII-B of the Tax Reform Code of 1971 shall not exceed \$55,000,000 in a fiscal year, and \$11,000,000 of that amount shall be allocated exclusively for small business. As used in this section, the term "small business" has the meaning ascribed in section 1702-B of the Tax Reform Code of 1971.

**Section 1603-H. Department of Community and Economic Development.**

For fiscal year 2011-2012 and each fiscal year thereafter, the Department of Community and Economic Development may approve tax credits as follows:

(1) Notwithstanding section 1707-D(a) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, the aggregate amount of tax credits awarded under Article XVII-D of the Tax Reform Code of 1971 shall not exceed \$60,000,000 in a fiscal year.

(2) Notwithstanding section 1804-B(e) of the Tax Reform Code of 1971, awards by the department shall not exceed \$10,100,000 in tax credits under Article XVIII-B of the Tax Reform Code of 1971.

Section 2. Section 1702-A of the act, amended July 4, 2008 (P.L.629, No.53), is amended to read:  
**Section 1702-A. Funding.**

(a) Intent.--It is hereby declared as the intent and goal of the General Assembly to create a stabilization reserve in an eventual amount of 6% of the revenues of the General Fund of the Commonwealth.

(b) Transfer of portion of surplus.--

(1) Except as may be provided in paragraph (2), for fiscal years beginning after June 30, 2002, the following apply:

(i) Except as set forth in this paragraph, if the Secretary of the Budget certifies that there is a surplus in the General Fund for a specific fiscal year, 25% of the surplus shall be deposited by the end of the next succeeding quarter into the Budget Stabilization Reserve Fund.

(ii) If the Secretary of the Budget certifies, after June 30, 2005, that there is a surplus in the General Fund for the fiscal year 2004-2005, 15% of the surplus shall be deposited by the end of the next succeeding quarter into the Budget Stabilization Reserve Fund.

(iii) No amount of the surplus in the General Fund for fiscal year 2007-2008 may be deposited into the Budget Stabilization Reserve Fund.

**(iv) No amount of the surplus in the General Fund for fiscal year 2010-2011 may be deposited into the Budget Stabilization Reserve Fund.**

(2) If, at the end of any fiscal year, the ending balance of the Budget Stabilization Reserve Fund equals or exceeds 6% of the actual General Fund revenues received for the fiscal year in which the surplus occurs, 10% of the surplus shall be deposited by the end of the next succeeding quarter into the Budget Reserve Stabilization Fund.

(c) Appropriated funds.--The General Assembly may at any time provide additional amounts from any funds available to this Commonwealth as an appropriation to the Budget Stabilization Reserve Fund.

Section 2.1. The heading of Subarticle D of Article XVII-A of the act, added July 7, 2005 (P.L.174, No.41), is reenacted to read:

SUBARTICLE D  
INVESTMENTS

Section 2.2. Section 1731-A of the act, reenacted and amended October 9, 2009 (P.L.537, No.50), is reenacted and amended to read:

Section 1731-A. State Workers' Insurance Board.

Notwithstanding any inconsistent provisions of section 1512 of the act of June 2, 1915 (P.L.736, No.338), known as the Workers' Compensation Act, section 504 of the act of November 30, 1965 (P.L.847, No.356), known as the Banking Code of 1965, section 922 of the act of December 14, 1967 (P.L.746, No.345), known as the Savings Association Code of 1967, and any other law of this Commonwealth, the power of the State Workers' Insurance Board to invest money shall include the power to hold, purchase, sell, assign, transfer and dispose of securities, including common stock with the following restrictions:

(1) Investments in equities may not exceed the lesser of:

(i) [20%] **15%** of the State Workers' Insurance Fund's assets; or

(ii) the State Workers' Insurance Fund's statutory surplus after discount, except that, [in the event that the statutory surplus is less than 7 1/2% of the book value of the assets of the State Workers' Insurance Fund,

the investment in equities may not exceed the percentage set forth in the provisions applicable to savings banks in section 504 of the Banking Code of 1965]

**notwithstanding the statutory surplus, the State Workers' Insurance Fund is authorized to invest up to 7 1/2% of the book value of its assets in equities.**

(1.1) Investments in equities shall be made subject to the prudent [man rule of section 504(c) of the Banking Code of 1965] **investor rule as provided for under 20 Pa.C.S. § 7203 (relating to prudent investor rule).**

(2) The State Workers' Insurance Board shall establish a policy for investments and shall meet at least annually to develop a schedule for rebalancing its investments in securities to meet the restriction of paragraph (1).

Section 2.3. Section 1732-A of the act, reenacted and amended October 9, 2009, (P.L.537, No.50), is reenacted and amended to read:

Section 1732-A. Expiration.

This subarticle shall expire June 30, [2010] **2015.**

Section 3. Repeals are as follows:

(1) The General Assembly finds and declares as follows:

(i) Each year, articles on budget implementation are added to the act.

(ii) These articles are temporary in nature but are placed permanently into the act, utilizing article numbers and section numbers.

(iii) Reusing article numbers and section numbers will keep the text of the act more concise.

(iv) The repeal under paragraph (2) is necessary to effectuate paragraph (1)(iii).

(2) Articles XVII-B and XVII-C of the act, added July 5, 2006 (P.L.296, No.66), and amended or repealed in part July 17, 2007 (P.L.141, No.42), are repealed.

Section 4. The act is amended by adding articles to read:

#### **ARTICLE XVII-B**

#### **2011-2012 BUDGET IMPLEMENTATION**

#### **SUBARTICLE A**

#### **PRELIMINARY PROVISIONS**

Section 1701-B. Applicability of article.

Except as specifically provided in this article, this article applies to the General Appropriation Act of 2011 and all other appropriation acts of 2011.

Section 1702-B. Definitions and abbreviations.

(a) Definitions.--The following words and phrases when used in this article shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"General Appropriation Act." The act of June 30, 2011 (P.L.633, No.1A), known as the General Appropriation Act of 2011.

"Secretary." The Secretary of the Budget of the Commonwealth.

(b) Abbreviations.--The following abbreviations when used in this article shall have the meanings given to them in this section:

"AIDS." Acquired Immune Deficiency Syndrome.

"ARC." Appalachian Regional Commission.

"ARRA." The American Recovery and Reinvestment Act of 2009 (Public Law 111-5, 123 Stat. 115).

"BG." Block Grant.

"CCDFBG." Child Care and Development Fund Block Grant.

"CSBG." Community Services Block Grant.

"DCSI." Drug Control and Systems Improvement Formula Grant Program.

"DFSC." The Safe and Drug-Free Schools and Communities Act (Public Law 107-110, 20 U.S.C. § 7101 et seq.).

"DOE." Department of Energy.

"EEOC." Equal Employment Opportunity Commission.

"EPA." Environmental Protection Agency.

"ESEA." The Elementary and Secondary Education Act of 1965 (Public Law 89-10, 20 U.S.C. § 6301 et seq.).

"FEMA." Federal Emergency Management Agency.

"FTA." Federal Transit Administration.

"HUD." Department of Housing and Urban Development.

"LIHEABG." Low-Income Home Energy Assistance Block Grant.

"LSTA." The Library Services and Technology Act (Public Law 104-208, 20 U.S.C. § 9101 et seq.).

"MCHSBG." Maternal and Child Health Services Block Grant.

"MHSBG." Mental Health Services Block Grant.

"MR." Mental Retardation.

"PAFE." Pennsylvania Agricultural Food Exposition.

"PHHSBG." Preventive Health and Health Services Block Grant.

"RSAT." Residential Substance Abuse Treatment.

"SABG." Substance Abuse Block Grant.

"SCDBG." Small Communities Development Block Grant.

"SDA." Service Delivery Area.

"SSBG." Social Services Block Grant.

"TANF." Temporary Assistance for Needy Families.

"TANFBG." Temporary Assistance for Needy Families Block Grant.

"TEFAP." Temporary Emergency Food Assistance Program.

"WIA." The Workforce Investment Act of 1998 (Public Law 105-220, 112 Stat. 936).

"WIC." Women, Infants and Children Program.

#### SUBARTICLE B

##### EXECUTIVE DEPARTMENTS

Section 1711-B. Governor (Reserved).

Section 1712-B. Executive Offices.

Funds for intermediate punishment treatment programs shall be allocated in the same proportion as funding provided in fiscal year 2010-2011 for intermediate punishment programs and for intermediate punishment drug and alcohol treatment.

Section 1713-B. Lieutenant Governor (Reserved).

Section 1714-B. Attorney General (Reserved).

Section 1715-B. Auditor General (Reserved).

Section 1716-B. Treasury Department (Reserved).

Section 1717-B. Department of Aging (Reserved).

Section 1718-B. Department of Agriculture.

No less than 80% of the funds appropriated for hardwoods research and promotion shall be equally distributed among the hardwood utilization groups of this Commonwealth established prior to the effective date of this section.

Section 1719-B. Department of Community and Economic Development.

The following shall apply to appropriations for the Department of Community and Economic Development:

(1) For fiscal year 2011-2012, funds appropriated to Keystone Communities shall include allocations for the Main Street and Elm Street programs in amounts not less than the amounts allocated in fiscal year 2010-2011.

(2) Funds appropriated for Partnerships for Regional Economic Performance shall be allocated to Industrial Development Corporations, Industrial Resource Centers, Local Development Districts and Small Business Development Centers.

Forty percent of the funds appropriated shall be pro rata allocated to the entity in proportion to the 2010-2011 appropriations to the entities. The department shall provide notice of the allocation by October 1, 2011. The remaining 60% of funds appropriated for this program shall be distributed in accordance with program guidelines.

Section 1720-B. Department of Conservation and Natural Resources (Reserved).

Section 1721-B. Department of Corrections (Reserved).

Section 1722-B. Department of Education.

The following shall apply to appropriations for the Department of Education in the General Appropriation Act:

(1) Notwithstanding 24 Pa.C.S. § 8329(a) (relating to payments on account of social security deductions from appropriations), when calculating payments by the Commonwealth under 24 Pa.C.S. § 8329, the Department of Education shall treat wages paid out of the ARRA State Stabilization Fund, wages paid out of the ARRA funds appropriated for Individuals with Disabilities Education (Part B - Preschool-Age 3-5) or wages paid out of the Education Jobs Fund grant as covered wages which are not federally funded.

(2) Notwithstanding the provisions of section 1724-A of the act of March 10, 1949 (P.L.30, No.14), known as the Public School Code of 1949, and 24 Pa.C.S. § 8329, no payments shall be made to charter schools or cyber charter schools authorized under the provisions of Article XVII-A of the Public School Code of 1949 or any successor provisions contained in the Public School Code of 1949 from funds appropriated for school employees' Social Security.

Section 1723-B. Department of Environmental Protection.

The following shall apply to appropriations for the Department of Environmental Protection in the General Appropriation Act:

(1) (Reserved).

(2) Notwithstanding the provisions of section 502 of the act of July 9, 2008 (1st Sp.Sess., P.L.1873, No.1), known as the Alternative Energy Investment Act, in fiscal year 2011-2012, no funds shall be appropriated from the General Fund to the department for the Consumer Energy Program. Any appropriation for fiscal year 2011-2012 is revoked.

Section 1724-B. Department of General Services (Reserved).

Section 1725-B. Department of Health.

The following shall apply to appropriations for the Department of Health in the General Appropriation Act:

(1) Funds appropriated for lupus programs shall be distributed in the same proportion as distributed in fiscal year 2010-2011.

(2) Funds appropriated for biotechnology research include \$750,000 for a regenerative medicine center located in a county of the second class and \$1,036,000 for an institution for hepatitis and virus research located in a county of the second class A, which conducts research related to developing new therapies for viral hepatitis and liver cancer.

Section 1726-B. Insurance Department (Reserved).

Section 1727-B. Department of Labor and Industry.

The following shall apply to appropriations for the Department of Labor and Industry in the General Appropriation Act:

(1) The appropriation for payment to the Vocational Rehabilitation Fund for work of the State Board of Vocational

Rehabilitation includes \$2,153,000 for a Statewide professional service provider association for the blind to provide specialized services and prevention of blindness services and \$431,000 to provide specialized services and prevention of blindness services in cities of the first class.

(2) For the "Reed Act-Unemployment Insurance" and "Reed Act-Employment Services and Unemployment Insurance" appropriations, the total amount which may be obligated shall not exceed the limitations under section 903 of the Social Security Act (49 Stat. 620, 42 U.S.C. § 1103).

Section 1728-B. Department of Military and Veterans Affairs  
(Reserved).

Section 1729-B. Department of Public Welfare.

The following shall apply to appropriations for the Department of Public Welfare from the General Appropriation Act:

(1) Authorized transfers for child-care services. The following shall apply:

(i) The department, upon approval of the secretary, may transfer Federal funds appropriated for TANFDBG child-care assistance to the CCDFBG child-care services appropriation to provide child-care services to additional low-income families if the transfer of funds will not result in a deficit in the appropriation. The secretary shall provide notice ten days prior to a transfer under this subparagraph to the chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives.

(ii) The department, upon approval of the secretary, may transfer Federal funds appropriated for CCDFBG child care assistance to the CCDFBG child-care services appropriation to provide child-care services to additional low-income families, provided that the transfer of funds will not result in a deficit in the appropriation. The secretary shall provide notice ten days prior to a transfer under this subparagraph to the chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives.

(2) Federal and State medical assistance payments. The following shall apply:

(i) No funds appropriated for approved capitation plans shall be used to pay a provider who fails to supply information in a form required by the department in order to facilitate claims for Federal financial participation for services rendered to general assistance clients.

(ii) For fiscal year 2011-2012, payments to hospitals for Community Access Fund grants shall be distributed under the formulas utilized for these grants in fiscal year 2010-2011. If the total funding available for Community Access Fund payments in fiscal year 2011-2012 is less than that available in fiscal year 2010-2011, payments shall be made on a pro rata basis.

(iii) Funds appropriated for medical assistance transportation shall only be utilized as a payment of last resort for transportation for eligible medical assistance recipients.

(iv) Amounts allocated from funds appropriated for medical assistance outpatient services for the Select

Plan for Women Preventative Health Services shall be used for women's medical services, including noninvasive contraception supplies.

(v) Federal or State funds appropriated under the General Appropriation Act in accordance with Article VIII-H of the act of June 13, 1967 (P.L.31, No.21), known as the Public Welfare Code, not used to make payments to hospitals qualifying as Level III trauma centers shall be used to make payments to hospitals qualifying as Levels I and II trauma centers.

(vi) Qualifying university-affiliated physician practice plans which received funds for the fiscal year 2010-2011 shall not receive any less than 50% of the State appropriation made available to those university-affiliated physician practice plans during fiscal year 2010-2011.

(vii) Qualifying State-related academic medical centers which received funds for the fiscal year 2010-2011 shall not receive any less than 50% of the State appropriation made available to those academic medical centers during fiscal year 2010-2011. From funds appropriated for qualifying State-related academic medical centers, \$2,000,000 shall be distributed to an academic medical center located in a third class county with a population between 210,000 and 215,000 under the 2010 Federal decennial census, \$500,000 shall be distributed to an academic medical center located in a third class county with a population between 279,000 and 282,000 under the 2010 Federal decennial census and \$500,000 to an academic medical center located in a city of the first class who did not receive funding during fiscal year 2010-2011.

(3) Breast cancer screening. The following shall apply:

(i) Funds appropriated for breast cancer screening may be used for women's medical services, including noninvasive contraception supplies.

(ii) (Reserved).

(4) Women's service programs. The following shall apply:

(i) Funds appropriated for women's service programs grants to nonprofit agencies whose primary function is to provide alternatives to abortion shall be expended to provide services to women until childbirth and for up to 12 months thereafter, including food, shelter, clothing, health care, counseling, adoption services, parenting classes, assistance for postdelivery stress and other supportive programs and services and for related outreach programs. Agencies may subcontract with other nonprofit entities which operate projects designed specifically to provide all or a portion of these services. Projects receiving funds referred to in this subparagraph shall not promote, refer for or perform abortions or engage in any counseling which is inconsistent with the appropriation referred to in this subparagraph and shall be physically and financially separate from any component of any legal entity engaging in such activities.

(ii) Federal funds appropriated for TANF BG Alternatives to Abortion shall be utilized solely for services to women whose gross family income is below 185% of the Federal poverty guidelines.

(5) County children and youth programs. The following shall apply:

(i) No more than 50% of funds allocated from the State appropriation for county children and youth programs to each county shall be expended until each county submits to the department data for the prior State fiscal year, and updated quarterly, on the unduplicated caseloads, unduplicated services and number of caseworkers by county program. Data shall be submitted in a form acceptable to the department. A copy of the data shall be sent to the chairman and minority chairman of the Appropriations Committee of the Senate and to the chairman and the minority chairman of the Appropriations Committee of the House of Representatives.

(ii) Reimbursement for children and youth services made under section 704.1 of the Public Welfare Code shall not exceed the amount of State funds appropriated. It is the intent of the General Assembly that counties do not experience any adverse fiscal impact due to the department's maximization efforts.

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

(7) County human services. The Department of Public Welfare shall convene a working group comprised of Department of Public Welfare personnel and the County Commissioners Association of Pennsylvania for the purpose of developing mutually agreeable pilot programs for allocation of county human services funding as multiple purpose grants, permitting counties to utilize funds at the county level normally provided in categorical allocations, such as child welfare, mental health, substance abuse and similar programs. The Department of Public Welfare shall report jointly developed recommendations to the General Assembly no later than October 31, 2011, with the intent of establishing the multipurpose pilot grant programs in the 2012-2013 budget.

(8) Funds appropriated shall not be used to privatize the forensic unit of any State mental institution.

(9) The provisions of 8 U.S.C. §§ 1611 (relating to aliens who are not qualified aliens ineligible for Federal public benefits), 1612 (relating to limited eligibility of qualified aliens for certain Federal programs) and 1642 (relating to verification of eligibility for Federal public benefits) shall apply to payments and providers.

(10) From funds appropriated for autism intervention and services, \$450,000 shall be distributed to a behavioral health facility located in a fifth class county with a population between 130,000 and 135,000 under the 2010 Federal decennial census that operates a center for autism and developmental disabilities.

Section 1730-B. Department of Revenue.

Notwithstanding section 1705-D(f) of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, a purchaser or assignee may carry forward a tax credit purchased or assigned in calendar year 2011 against qualified tax liabilities incurred in the next taxable year. If a credit is carried over to the succeeding taxable year, it shall be reduced by the amount that was used as a credit during the immediately preceding taxable year.

Section 1731-B. Department of State (Reserved).

Section 1732-B. Department of Transportation (Reserved).

Section 1733-B. Pennsylvania State Police.

The following shall apply to appropriations for the Pennsylvania State Police from the General Appropriation Act:

- (1) Payments made to municipalities under 53 Pa.C.S. § 2170 (relating to reimbursement of expenses) shall be limited to funds available. If funds are not available to make full payments, the Municipal Police Officers' Education and Training Commission shall make payments on a pro rata basis.
  - (2) (Reserved).
- Section 1734-B. State Civil Service Commission (Reserved).
- Section 1735-B. Pennsylvania Emergency Management Agency (Reserved).
- Section 1736-B. Pennsylvania Fish and Boat Commission (Reserved).
- Section 1737-B. State System of Higher Education (Reserved).
- Section 1737.1-B. State-related institutions (Reserved).
- Section 1738-B. Pennsylvania Higher Education Assistance Agency (Reserved).
- Section 1739-B. Pennsylvania Historical and Museum Commission (Reserved).
- Section 1740-B. Pennsylvania Infrastructure Investment Authority (Reserved).
- Section 1741-B. Environmental Hearing Board (Reserved).
- Section 1742-B. Pennsylvania Board of Probation and Parole (Reserved).
- Section 1743-B. Pennsylvania Public Television Network Commission (Reserved).
- Section 1744-B. Pennsylvania Securities Commission (Reserved).
- Section 1745-B. State Tax Equalization Board (Reserved).
- Section 1746-B. (Reserved).
- Section 1747-B. (Reserved).
- Section 1748-B. (Reserved).
- Section 1749-B. Thaddeus Stevens College of Technology (Reserved).
- Section 1750-B. Pennsylvania Housing Finance Agency (Reserved).
- Section 1751-B. LIHEABG (Reserved).

#### SUBARTICLE C

##### STATE GOVERNMENT SUPPORT AGENCIES

- Section 1761-B. Health Care Cost Containment Council.
- The Health Care Cost Containment Council shall submit a report to the chairman and minority chairman of the Appropriations Committee of the Senate and the chairman and minority chairman of the Appropriations Committee of the House of Representatives specifying the amount and source of proceeds received from the sale of data by the council. The report shall supplement the annual report of financial expenditures required under section 17.1 of the act of July 8, 1986 (P.L.408, No.89), known as the Health Care Cost Containment Act. The proceeds received from the sale of data may be used for the operations of the council.
- Section 1762-B. State Ethics Commission (Reserved).
- Section 1763-B. Legislative Reference Bureau (Reserved).
- Section 1764-B. Legislative Budget and Finance Committee (Reserved).
- Section 1765-B. Legislative Data Processing Committee (Reserved).
- Section 1766-B. Joint State Government Commission (Reserved).
- Section 1767-B. Joint Legislative Air and Water Pollution Control and Conservation Committee (Reserved).
- Section 1768-B. Legislative Audit Advisory Commission (Reserved).
- Section 1769-B. Independent Regulatory Review Commission (Reserved).

Section 1770-B. Capitol Preservation Committee (Reserved).  
Section 1771-B. Pennsylvania Commission on Sentencing  
(Reserved).  
Section 1772-B. Center for Rural Pennsylvania (Reserved).  
Section 1773-B. Commonwealth Mail Processing Center (Reserved).  
Section 1774-B. Transfers.

During the 2011-2012 fiscal year, any amount unexpended on the effective date of the General Appropriations Act of 2011 may, upon the written concurrence of the President pro tempore of the Senate, the Speaker of the House of Representatives, the Majority Leader of the Senate and the Majority Leader of the House of Representatives, be transferred between any of the following accounts:

- (1) Legislative Reference Bureau.
- (2) Legislative Budget and Finance Committee.
- (3) Legislative Data Processing Committee.
- (4) Joint State Government Commission.
- (5) Local Government Commission.
- (6) Legislative Audit Advisory Commission.
- (7) Center for Rural Pennsylvania.
- (8) Commonwealth Mail Processing Center.
- (9) Joint Legislative Air and Water Pollution Control and Conservation Committee.

SUBARTICLE D  
JUDICIAL DEPARTMENT

Section 1781-B. Supreme Court (Reserved).  
Section 1782-B. Superior Court (Reserved).  
Section 1783-B. Commonwealth Court (Reserved).  
Section 1784-B. Courts of common pleas (Reserved).  
Section 1785-B. Community courts; magisterial district judges  
(Reserved).  
Section 1786-B. Philadelphia Traffic Court (Reserved).  
Section 1787-B. Philadelphia Municipal Court (Reserved).  
Section 1788-B. Judicial Conduct Board (Reserved).  
Section 1789-B. Court of Judicial Discipline (Reserved).  
Section 1790-B. Juror cost reimbursement (Reserved).  
Section 1791-B. County court reimbursement (Reserved).  
Section 1792-B. Senior judges (Reserved).  
Section 1793-B. Transfer of funds by Supreme Court (Reserved).

SUBARTICLE E  
GENERAL ASSEMBLY  
(RESERVED)

ARTICLE XVII-C  
2011-2012 RESTRICTIONS ON APPROPRIATIONS  
FOR FUNDS AND ACCOUNTS

Section 1701-C. Applicability of article.  
Except as specifically provided in this article, this article applies to the General Appropriation Act of 2011 and all other appropriation acts of 2011.

Section 1702-C. State Lottery Fund.  
(1) Funds appropriated for PENNCARE shall not be utilized for administrative costs by the Department of Aging.  
(2) (Reserved).

Section 1703-C. Energy Conservation and Assistance Fund  
(Reserved).  
Section 1704-C. Judicial Computer System Augmentation Account  
(Reserved).  
Section 1704.1-C. Access to Justice Account (Reserved).  
Section 1705-C. Emergency Medical Services Operating Fund  
(Reserved).  
Section 1706-C. State Stores Fund (Reserved).  
Section 1707-C. Motor License Fund (Reserved).

Section 1708-C. Hazardous Material Response Fund (Reserved).  
Section 1709-C. Milk Marketing Fund (Reserved).  
Section 1710-C. Home Investment Trust Fund (Reserved).  
Section 1711-C. Tuition Payment Fund (Reserved).  
Section 1712-C. Banking Department Fund (Reserved).  
Section 1713-C. Firearm Records Check Fund (Reserved).  
Section 1714-C. Ben Franklin Technology Development Authority  
Fund (Reserved).  
Section 1715-C. Tobacco Settlement Fund.

(a) Deposits.--

(1) Notwithstanding sections 303(b)(2), (3) and (4) and 306 of the act of June 26, 2001 (P.L.755, No.77), known as the Tobacco Settlement Act, the following shall apply:

(i) For fiscal year 2011-2012, the strategic contribution payments received in fiscal year 2010-2011 pursuant to the Master Settlement Agreement shall remain in the Tobacco Settlement Fund.

(ii) For fiscal year 2011-2012, the funds appropriated under section 306(b)(1)(i) of the Tobacco Settlement Act shall remain in the Tobacco Settlement Fund.

(iii) For fiscal year 2011-2012, 62.5% of the money appropriated under section 306(b)(1)(iii) of the Tobacco Settlement Act may not be expended, transferred or lapsed but shall remain in the Tobacco Settlement Fund.

(iv) For fiscal year 2011-2012, 33.3% of the money appropriated under section 306(b)(1)(vi) of the Tobacco Settlement Act may not be expended, transferred or lapsed but shall remain in the Tobacco Settlement Fund.

(v) For fiscal year 2011-2012, 18.2% of the money appropriated under section 306(b)(1)(v) of the Tobacco Settlement Act may not be expended, transferred or lapsed but shall remain in the Tobacco Settlement Fund.

(2) Money deposited into the fund under paragraph (1) shall be appropriated for health-related purposes. If applicable, the amount appropriated in accordance with this paragraph shall be matched by appropriated Federal augmenting funds.

(b) Use of funds.--Funds deposited in the Tobacco Settlement Fund from payments received in April 2011 and April 2012 shall be used to make appropriations pursuant to this section and section 306 of the Tobacco Settlement Act.

(c) Allocation.--Funding for local programs under section 708(b) of the Tobacco Settlement Act shall be allocated as follows:

(1) Thirty percent of grant funding to primary contractors for local programs shall be allocated equally among each of the 67 counties.

(2) The remaining 70% of grant funding to primary contractors for local programs shall be allocated on a per capita basis of each county with a population greater than 60,000. The per capita formula shall be applied only to that portion of the population that is greater than 60,000 for each county.

(3) Budgets shall be developed by each primary contractor to reflect service planning and expenditures in each county. Each primary contractor will ensure that services are available to residents of each county and must expend the allocated funds on a per-county basis pursuant to paragraphs (1) and (2).

(4) The Department of Health shall compile a detailed annual report of expenditures per county and the specific

programs offered in each region. This report shall be made available on the publicly available Internet website of the Department of Health 60 days following the close of each fiscal year.

(5) During the third quarter of the fiscal year, funds which have not been spent within a service area may be reallocated to support programming in the same region.

(d) Use of money for lobbying prohibited.--No money derived from an appropriation by the General Assembly from the Tobacco Settlement Fund may be used for the lobbying of any State public official.

(e) Health Venture Account investments.--Notwithstanding Chapter 3 of the Tobacco Settlement Act, all assets, nonliquid investments, contractually obligated money, return on investments and any other money or assets in the Health Venture Investment Account shall be retained in the Health Venture Investment Account for continued investment by the Tobacco Settlement Investment Board in health care, biotechnology or any other health-related businesses which are expected to grow substantially in the future. The requirements for venture capital investments outlined in section 305(f) of the Tobacco Settlement Act shall be maintained.

Section 1716-C. Restricted receipt accounts.

(a) General provisions.--The secretary may create restricted receipt accounts for the purpose of administering Federal grants only for the purposes designated in this section.

(b) Department of Community and Economic Development.--The following restricted receipt accounts may be established for the Department of Community and Economic Development:

- (1) ARC Housing Revolving Loan Program.
- (2) (Reserved).

(c) Department of Conservation and Natural Resources.--The following restricted receipt accounts may be established for the Department of Conservation and Natural Resources:

- (1) Federal Aid to Volunteer Fire Companies.
- (2) Federal Land and Water Conservation Fund Act.
- (3) National Forest Reserve Allotment.
- (4) Federal Land and Water Conservation Fund Act -

Conservation and Natural Resources.

(d) Department of Education.--The following restricted receipt accounts may be established for the Department of Education:

- (1) Education of the Disabled - Part C.
- (2) LSTA - Library Grants.
- (3) The Pennsylvania State University Federal Aid.
- (4) Emergency Immigration Education Assistance.
- (5) Education of the Disabled - Part D.
- (6) Homeless Adult Assistance Program.
- (7) Severely Handicapped.
- (8) Medical Assistance Reimbursements to Local Education

Agencies.

(e) Department of Environmental Protection.--The following restricted receipt accounts may be established for the Department of Environmental Protection:

- (1) Federal Water Resources Planning Act.
- (2) Flood Control Payments.
- (3) Soil and Water Conservation Act - Inventory of

Programs.

(f) Department of Health.--The following restricted receipt accounts may be established for the Department of Health:

- (1) Share Loan Program.
- (2) (Reserved).

(g) Department of Transportation.--The following restricted receipt accounts may be established for the Department of Transportation:

- (1) Capital Assistance Elderly and Handicapped Programs.
- (2) Railroad Rehabilitation and Improvement Assistance.
- (3) Ridesharing/Van Pool Program - Acquisition.

(h) Pennsylvania Emergency Management Agency.--The following restricted receipt accounts may be established for the Pennsylvania Emergency Management Agency:

- (1) Receipts from Federal Government - Disaster Relief - Disaster Relief Assistance to State and Political Subdivisions.
- (2) (Reserved).

(i) Pennsylvania Historical and Museum Commission.--The following restricted receipt accounts may be established for the Pennsylvania Historical and Museum Commission:

- (1) Federal Grant - National Historic Preservation Act.
- (2) (Reserved).

(j) Executive Offices.--The following restricted receipt accounts may be established for the Executive Offices:

- (1) Retired Employees Medicare Part D.
- (2) Justice Assistance.
- (3) Juvenile Accountability Incentive.
- (4) Early Retiree Reinsurance Program.

**Section 1717-C. State Gaming Fund (Reserved).**

Section 5. Sections 1712-E and 1715-E of the act, added July 17, 2007 (P.L.141, No.42), are amended to read: Section 1712-E. Executive Offices.

(a) **Appropriations.**-- The following shall apply to appropriations for the Executive Offices:

(1) Pennsylvania Commission on Crime and Delinquency. Funds remaining after application of section 202 of a General Appropriation Act for the appropriation for grants-in-aid for intermediate punishment programs shall be distributed to counties based on the following formula:

(i) Fifty percent shall be based on the proportion of offenders diverted from the county prison system to county intermediate punishment programs.

(ii) Fifty percent shall be based on the proportion of offenders diverted from the State correctional system to the county prison system.

(2) Grants for specialized probation services, including school-based, community-based, intensive supervision and aftercare services, shall be provided in accordance with standards adopted by the Juvenile Court Judges Commission.

(b) **Purchase cards.**--The Office of the Budget shall, where practicable, maximize the use of purchase cards for financial transactions involving the Commonwealth in accordance with an interagency agreement establishing usage guidelines between the office and the Treasury Department.

(c) **Treasury Offset Program.**--

(1) The Office of the Budget is authorized to enter into an agreement with the United States to participate in the Treasury Offset Program under 31 U.S.C. § 3716 (relating to administrative offset) for the collection of any debts owed to Commonwealth agencies. The agreement may provide for the United States to submit debts owed to Federal agencies for offset against Commonwealth payments and provide for the Commonwealth to submit debts owed to Commonwealth agencies for offset against Federal payments.

(2) The Treasurer of the United States shall reduce any Commonwealth payment by the amount of any Federal debt

submitted in accordance with the agreement authorized by this subsection and pay the amount to the appropriate Federal official in accordance with the procedures specified in the agreement.

Section 1715-E. Auditor General.

The following shall apply to appropriations to the Auditor General:

(1) Funds appropriated to the Department of the Auditor General shall be for the purpose of performing postaudits in accordance with generally accepted government auditing standards.

(2) [(Reserved).] If the Auditor General fails to deliver an annual audit of Commonwealth-managed federally funded programs by March 31, 2012, and each March 31 thereafter, in accordance with the Single Audit Act of 1984 (Public Law 98-502, 31 U.S.C. § 7501 et seq.) and related guidance issued by the United States Office of Management and Budget, the State Treasurer shall not authorize the release of any funds appropriated to the Auditor General in the quarter following the failure of the Auditor General to deliver the audit. The Auditor General shall not bill any Commonwealth agency to make up for any funding deficiency caused by the State Treasurer withholding payments under this paragraph.

Section 6. The act is amended by adding a section to read:  
Section 1719.1-E. Pennsylvania Infrastructure Investment Authority Accounts.

Fifteen million dollars in funds allocated to PENNVEST under 27 Pa.C.S. § 6104(d)(6) (relating to fund) shall be transferred from the authority to the Pennsylvania Gaming Economic Development and Tourism Fund. Funds deposited into the Pennsylvania Gaming Economic Development and Tourism Fund shall be included in fund distribution made under section 301 of the act of July 9, 2008 (P.L.908, No.63), known as the H2O PA Act, and shall be used by the Commonwealth Financing Authority to support the H2O program established in that act. The Commonwealth Financing Authority shall repay to the authority the funds transferred under this section by June 30, 2020. Section 10(f) of the act of March 1, 1988 (P.L.82, No.16), known as the Pennsylvania Infrastructure Investment Authority Act, shall not apply to this transfer.

Section 7. Section 1738-E of the act, added July 17, 2007 (P.L.141, No.42), is amended to read:  
Section 1738-E. Pennsylvania Higher Education Assistance Agency [(Reserved)].

(a) Appropriations.--The following shall apply to appropriations for the Pennsylvania Higher Education Assistance Agency from the General Appropriation Act:

(1) The Pennsylvania Higher Education Assistance Agency shall use funds appropriated for matching payments for student aid funds to maximize the receipt of Federal funds to the fullest extent possible.

(2) No college, university or institution receiving a direct appropriation from the Commonwealth shall be eligible to participate in the institutional assistance grants program.

(b) Blind and deaf student program.--

(1) The Pennsylvania Higher Education Assistance Agency may, in conformance with policies, standards, rules and regulations adopted by the State Board of Education, contract with institutions of higher education for the awarding of higher education equal opportunity program grants. Programs

for which grants may be awarded shall include remedial learning services, counseling services or tutorial services. Funds provided under this subsection may not be used to pay tuition, room and board or other institutional costs or fees incurred by students.

(2) Each institution of higher education requesting a grant to provide a program under this subsection shall submit an application in a form and manner as the agency may require. The application shall include a description of the nature and the methods by which all funds granted will be used by the applicant institution to contribute to the provision, maintenance or improvement of programs designed to enhance opportunities for disadvantaged part-time and full-time students to achieve their educational goals.

(3) The Pennsylvania Higher Education Assistance Agency shall use funds appropriated for higher education of blind or deaf students to make grants for defraying the necessary expenses of any students who are blind or deaf and who are regularly enrolled students pursuing a course of study or profession in a university, college, conservatory of music, normal, professional or vocational school approved by the Department of Education. In order to receive a grant, a blind or deaf student who desires to attend, or who is attending, a school or institution shall apply as required under paragraph (2). Grant awards shall be established annually by the Pennsylvania Higher Education Assistance Agency based on available resources.

(4) Up to 2.5% of funds appropriated annually to carry out the purposes of this subsection may be used to pay the costs of administration.

(5) Beginning July 1, 2011, the rights, powers and duties exercised by the Secretary of Education under the former act of August 31, 1971 (P.L.423, No.101), known as the Higher Education Equal Opportunity Act, are transferred to and shall be exercised by the Pennsylvania Higher Education Assistance Agency. Existing regulations promulgated under the former Higher Education Equal Opportunity Act shall continue in full force and effect by the Pennsylvania Higher Education Assistance Agency until the agency promulgates new or additional regulations.

(6) The agency shall have access to student-level data that is collected by the Department of Education that relates to the administration of this subsection in accordance with Federal and State law.

(7) As used in this subsection, the following words and phrases shall have the meanings given to them in this paragraph unless the context clearly indicates otherwise:

"Full-time student." A bona fide resident of this Commonwealth who has been admitted as a full-time student to an institution of higher education and who is economically and educationally disadvantaged in accordance with criteria established by the State Board of Education.

"Institutions of higher education." A postsecondary institution in this Commonwealth authorized to award degrees.

"Part-time student." A bona fide resident of this Commonwealth who:

(1) Has been admitted into a degree program as a less than full-time student in an institution of higher education.

(2) Is enrolled in at least the equivalent of six semester credits or 225 clock hours of instruction per semester in an institution of higher education.

**(3) Is economically and educationally disadvantaged in accordance with the criteria established by the State Board of Education.**

Section 8. Subarticle C heading of Article XVII-E and sections 1761-E, 1762-E, 1763-E, 1764-E, 1765-E, 1766-E, 1767-E, 1768-E, 1769-E, 1770-E, 1771-E, 1772-E, 1773-E, 1774-E and 1775-E of the act, added July 17, 2007 (P.L.141, No.42), are repealed:

[SUBARTICLE C

LEGISLATIVE DEPARTMENT

Section 1761-E. Senate (Reserved).

Section 1762-E. House of Representatives (Reserved).

Section 1763-E. Legislative Reference Bureau.

(1) Notwithstanding any other provision of law to the contrary, including 62 Pa.C.S. (relating to procurement), the Pennsylvania Consolidated Statutes, advance copies of statutes, volumes of the Laws of Pennsylvania and other publications shall be printed under contracts entered into by the Legislative Reference Bureau and distributed as determined by the bureau. Money from sales shall be paid to the bureau or the Department of General Services, as the bureau shall determine, and that money shall be paid into the State Treasury to the credit of the General Fund. Money from sales is hereby appropriated from the General Fund to the Legislative Reference Bureau for the editing, printing and distribution of the Pennsylvania Consolidated Statutes, advance copies of statutes, volumes of the Laws of Pennsylvania and other publications and for related expenses.

(2) Contingent expenses connected with the work of the bureau shall be paid on warrants of the State Treasurer in favor of the director on the presentation of the director's requisitions.

(3) The director shall file an accounting of the contingent expenses, together with supporting documents whenever possible, in the office of the bureau.

Section 1764-E. Legislative Budget and Finance Committee (Reserved).

Section 1765-E. Legislative Data Processing Committee (Reserved).

Section 1766-E. Joint State Government Commission (Reserved).

Section 1767-E. Local Government Commission (Reserved).

Section 1768-E. Joint Legislative Air and Water Pollution Control and Conservation Committee (Reserved).

Section 1769-E. Legislative Audit Advisory Commission (Reserved).

Section 1770-E. Independent Regulatory Review Commission (Reserved).

Section 1771-E. Capitol Preservation Committee (Reserved).

Section 1772-E. Pennsylvania Commission on Sentencing (Reserved).

Section 1773-E. Center for Rural Pennsylvania (Reserved).

Section 1774-E. Commonwealth Mail Processing Center (Reserved).

Section 1775-E. Chief Clerk of the Senate and Chief Clerk of the House of Representatives (Reserved).]

Section 9. The act is amended by adding a section to read:  
**Section 1798-E. Catastrophic Loss Benefits Continuation Fund.**

**For fiscal year 2011-2012 and for each fiscal year thereafter, all surcharges collected under 75 Pa.C.S. § 6506 (relating to surcharge) by any division of the Unified Judicial System shall be deposited in the General Fund upon receipt.**

Section 10. Section 1799-E of the act, amended or added July 17, 2007 (P.L.141, No.42) and July 6, 2010 (P.L.279, No.46), is amended to read:  
Section 1799-E. State Gaming Fund.

(a) Transfers for Volunteer Fire Company and Volunteer Ambulance Service Grant Act.--Commencing with fiscal year 2007-2008 and continuing annually thereafter, the sum of \$25,000,000 shall be transferred from the State Gaming Fund to the General Fund and is hereby appropriated on a continuing basis to the Pennsylvania Emergency Management Agency for the purpose of making grants [in accordance with Chapter 7 of the act of July 31, 2003 (P.L.73, No.17), known as the Volunteer Fire Company and Volunteer Ambulance Service Grant Act] **under 35 Pa.C.S. Ch. 78 (relating to grants to volunteer fire companies and volunteer services)**. Annually, the sum of \$22,000,000 shall be expended for the purpose of making grants to eligible volunteer fire companies [pursuant to Chapter 3 of the Volunteer Fire Company and Volunteer Ambulance Service Grant Act] **under 35 Pa.C.S. Ch. 78 Subch. B (relating to volunteer fire company grant program)**. Annually, the sum of \$3,000,000 shall be expended for the purpose of making grants to eligible volunteer ambulance services [pursuant to Chapter 5 of the Volunteer Fire Company and Volunteer Ambulance Service Grant Act] **under 35 Pa.C.S. Ch. 78 Subch. C (relating to volunteer ambulance service grant program)**.

(b) (Reserved).

(c) Performance audit.--Notwithstanding section 408, a performance audit of the Pennsylvania Gaming Control Board commenced in 2007 by the Auditor General shall be paid for from funds appropriated to the Auditor General.

(d) Utilization.--The board shall not encumber or commit funds obtained from any source, including a commercial loan or the sale of gaming receipts, unless appropriated by the General Assembly.

(e) Assessments for property tax relief.--Notwithstanding subsection (g) or any other provision of law to the contrary, if the Secretary of the Budget authorizes a transfer from the Property Tax Relief Reserve Fund and determines that the moneys in the fund are insufficient to support the transfer, the Secretary of the Budget shall notify the Pennsylvania Gaming Control Board and, upon notification, the board shall immediately assess each slot machine licensee for the repayment [of the loans authorized] **of the insufficiency in an amount that is proportional to each slot machine licensee's gross terminal revenue. The amount shall be deducted from amounts owed** under sections 1720-G, 1720-I and 1720-K in an amount that is proportional to each slot machine licensee's gross terminal revenue.

(f) Appropriations solely from assessments.--Beginning in fiscal year 2010-2011 and each fiscal year thereafter, all funds for the operation of the Pennsylvania State Police, the Department of Revenue and the Attorney General shall be appropriated solely from an assessment on gross terminal revenue from accounts under 4 Pa.C.S. § 1401 (relating to slot machine licensee deposits) in an amount equal to that appropriated by the General Assembly for that fiscal year. The Pennsylvania State Police, Department of Revenue or Attorney General shall not assess any charge, fee, cost of operations or other payment from a licensed gaming entity in excess of amounts appropriated in any such fiscal year unless specifically authorized by law.

(g) Establishment of repayment schedule.--No later than June 30, 2011, the Pennsylvania Gaming Control Board, in

consultation with all licensed gaming entities, shall establish a schedule governing the repayment by licensed gaming entities of loans provided to the Pennsylvania Gaming Control Board under sections 1720-G, 1720-I and 1720-K. The following shall apply:

(1) Repayment of loans provided to the Pennsylvania Gaming Control Board pursuant to sections 1720-G, 1720-I and 1720-K by licensed gaming entities shall begin [at such time as at least 11 slot machine licenses have been issued and 11 licensed gaming entities have commenced operation of slot machines] **January 1, 2012.**

(2) The Pennsylvania Gaming Control Board shall establish a repayment schedule that, at a minimum:

(i) Sets forth the dates upon which the repayments shall be due. Payments may be required on a quarterly, semiannual or annual basis.

(ii) Assesses to each slot machine licensee costs for repayment of loans from the Property Tax Relief Reserve Fund made under sections 1720-G, 1720-I and 1720-K in an amount that is proportional to each slot machine licensee's gross terminal revenue.

(iii) Results in full repayment of amounts loaned pursuant to sections 1720-G, 1720-I and 1720-K not earlier than five years nor later than ten years following commencement of the loan repayments by the slot machine licensee.

Section 11. Section 1722-L(a)(11) of the act, added July 6, 2010 (P.L.279, No.46), is amended to read:  
Section 1722-L. Department of Education.

(a) General rule.--The following shall apply to appropriations for the Department of Education in the General Appropriation Act for the fiscal year beginning July 1, 2010:

\* \* \*

(11) Notwithstanding the provisions of 24 Pa.C.S. § 8329(a) (relating to payments on account of social security deductions from appropriations) when calculating payments by the Commonwealth under 24 Pa.C.S. § 8329, the Department of Education shall treat wages paid out of the ARRA State Stabilization Fund or out of ARRA funds appropriated for Individual with Disabilities Education (Part B - Preschool - Age 3-5) **out of the Education Jobs Fund Grant** as covered wages which are not federally funded.

\* \* \*

Section 12. The act is amended by adding an article to read:

#### **ARTICLE XVII-O**

##### **AUDITS**

**Section 1701-O. Audits of Race Horse Development Funds.**

The following shall apply:

(1) By December 31, 2011, and each December 31 thereafter, the Department of Agriculture, in conjunction with the Office of the Budget, shall conduct a financial audit of all funds distributed under 4 Pa.C.S. § 1406(a) (relating to distributions from Pennsylvania Race Horse Development Fund) for the prior fiscal year. The audit shall include recommendations for changes relating to the maintenance, use or administration of these funds.

(2) The audits and audited financial statements required under this section and 4 Pa.C.S. § 1406(e) for fiscal years ending prior to June 30, 2011, shall be open for public inspection and provided, within 60 days of the effective date of this section, to the persons listed in paragraph (5).

(3) The following apply:

(i) Notwithstanding 4 Pa.C.S. § 1406(e), each horsemen's organization shall, within 90 days after the end of the organization's fiscal year, prepare annual financial statements in accordance with generally accepted accounting principles for the horsemen's organization and all of its affiliates.

(ii) The financial statements required under subparagraph (i) shall be prepared beginning in the horsemen's organization fiscal year ending prior to June 30, 2011, and for each fiscal year thereafter.

(iii) The financial statements required under subparagraph (i) shall include additional information as necessary to reconcile the information in the financial statement to the amounts received by the horsemen's organization during the same fiscal year.

(4) The department may engage independent certified public accountants to conduct the audit under paragraph (1) and to audit the annual financial statements and accompanying information filed under paragraph (3) for each fiscal year. The department shall provide copies of each audit to the persons listed in paragraph (5)(ii), (iii), (iv) and (v).

(5) The horsemen's organization shall provide all financial statements, reports and additional information required under paragraph (3) to all of the following within 90 days of the end of the organization's fiscal year:

(i) The department.

(ii) The chairman and minority chairman of the Community, Economic and Recreational Development Committee of the Senate and the chairman and minority chairman of the Gaming Oversight Committee of the House of Representatives.

(iii) The chairman and minority chairman of the Agriculture and Rural Affairs Committee of the Senate and the chairman and minority chairmen of the Agriculture and Rural Affairs Committee of the House of Representatives.

(iv) The Pennsylvania Gaming Control Board.

(v) The State Horse Racing Commission and the State Harness Racing Commission.

(6) All distributions under 4 Pa.C.S. § 1406 shall be suspended for any horsemen's organization that the department certifies is out of compliance with the requirements of this section.

(7) Each horsemen's organization shall cooperate fully with all audits under this section and shall reimburse the department for all fees and costs to administer this section.

(8) For the purposes of this section, the term "horsemen's organization" shall have the same meaning as defined under 4 Pa.C.S. § 1103 (relating to definitions).  
Section 13. Repeals are as follows:

(1) Section 217 of the act of March 4, 1971 (P.L.6, No.2), known as the Tax Reform Code of 1971, is repealed insofar as it is inconsistent with the addition of section 202.2 of the act.

(2) The General Assembly declares that the repeal under paragraph (4)(i) is necessary to effectuate the amendment of section 1738-E of the act.

(3) The General Assembly declares that the repeals under paragraph (4)(ii) and (iii) are necessary to effectuate the addition of section 1798-E of the act.

(4) The following acts and parts of acts are repealed:

(i) The act of August 31, 1971 (P.L.423, No.101), known as the Higher Education Equal Opportunity Act.

(ii) Section 712(m) of the act of March 20, 2002 (P.L.154, No.13), known as the Medical Care Availability and Reduction of Error (Mcare) Act.

(iii) The provisions of 75 Pa.C.S. § 6506(b).

Section 14. The following shall apply:

(1) The reenactment or amendment of Article XVII-A Subarticle D heading and sections 1731-A and 1732-A of the act shall apply retroactively to June 30, 2010.

(2) The amendment of section 1722-L of the act shall apply retroactively to July 1, 2010.

Section 15. This act shall take effect immediately.

APPROVED--The 30th day of June, A.D. 2011.

TOM CORBETT