State Budget Update

By Chris Comisac, bureau chief, Capitolwire

HARRISBURG (Dec. 9) - The House Republicans and the Legislature's three other caucuses remained on a collision course Wednesday as the Senate advanced to an expected final vote on the framework General Appropriations bill amended into the House GOP's former budget proposal on Tuesday.
And a few more of the framework-related budget bills – a Public Welfare Code, a Fiscal Code and an Administrative Code – were likewise positioned for final votes after being reported out of the Senate Appropriations Committee Wednesday evening.

A Liquor Code bill also was unveiled Wednesday evening.

But still "in the works" are a Public School Code bill and the all-important Tax Code bill that will contain the new recurring revenues to balance the framework budget.

Sources close to the budget situation said they both remain in flux as negotiations with the House GOP continue in an attempt to generate enough votes within that caucus to ensure passage in the House.

Senate GOP leaders spoke again with House GOP leaders Wednesday evening. Responding to questions following the meeting, Senate President Pro Tem Joe Scarnati, R-Jefferson, said he understood if the House GOP needed some time to review all the code bills, but indicated there was no request by House GOP leaders for the framework spend number to be reduced from $30.8 billion.
However, it has been suggested by some sources the tax code bill might not be finalized and considered by the Senate until the House has approved the framework General Appropriations bill, and maybe the other code bills too.

That's likely due to the heavy lift the tax bill represent: it could potentially containing more than $700 million in new revenues for the current fiscal year, and as much as $1.8 billion in revenues once fully annualized during the 2016-17 Fiscal Year, according to a Senate Republican document examining how the framework budget and the House GOP budget would impact the state's General Fund.
That document also shows the House GOP budget coming up nearly a half-a-billion dollars short of being balanced during the current fiscal year – primarily because of the lower amount of revenues generated by the House GOP plan ($309.6 million) – and nearly $1.5 billion out of balance in FY2016-17 due to an anticipated cost-to-carry (mandated expenses) growth of $1.4 billion and House GOP plan revenues, as projected by the Senate Republicans, of $484 million. The House GOP estimates their plan will generate nearly $628 million in recurring revenues in FY2016-17.

As for the code bills positioned for final votes in the Senate, the Public Welfare Code bill, House Bill 1322, is already on its way back to the House, now on concurrence, and hasn't changed from Tuesday when it was amended in the Senate Public Health and Welfare Committee.
In addition to HB1322's original underlying purpose, the bill would:

- move from the Fiscal Code to the Public Welfare Code language regarding the four Medical Assistance day-one incentive payments to qualified nonpublic nursing facilities (the payments cost $8 million in FY2015-16);

- modify language on the certified public expenditures of public nursing homes to allow intergovernmental transfers to fund supplemental payments;

- extend the state's current hospital assessment until 2018 including payments for observation services provided by or furnished under the direction of a physician and furnished by a hospital, but excluding cancer treatment centers from the assessment, and alters the calculation of the assessment (generating $220 million in revenue for each of FY2015-16, FY2016-17 and FY2017-18);

- create a new managed care organization (MCO) assessment, to replace the Gross Receipts Tax that had been assessed on only Medicaid MCOs, assessing all such organizations at a fixed rate of $13.48 per member per month, to comply with federal rulings (this would ensure the continuation of $550 million in federal fund derived from the managed care tax);

- rebalance county welfare reimbursement payments (saving the state $172 million over two years with no impact to the counties);

- alter the calculation of the copayments currently imposed on those receiving subsidized child care and expands the income limit to remain eligible for the program (although there is no cost as additional services will only be provided if funding is available);

- require family child day care homes to be licensed instead of registered, to ensure the state's federal Child Care Development Block Grant is not subjected to financial penalties;

- add definitions of "sibling" and "successor permanent legal custodian" to comply with federal rules;

- redesign of the Keystone Education Yields Success (KEYS) Program, an academic support program assisting low-income individuals who are seeking additional training or certification to improve their job prospects;

- eliminate the requirement that counties submit a methadone mileage biennial report to the Department of Human Services; and

- change the name of the Public Welfare Code to the Human Services Code.

As for the Fiscal Code, House Bill 1327, there's a ton of components within the bill. Here are several of the highlights, with more to come as Capitolwire reviews the executive department appropriations within the code:

- adjust the retailer presumptive minimum cost of cigarettes which is based off of a formula established more than 60 years ago. This bill would adjust the percentage from 6 percent to 7 percent for retailers (cigars, snuff, chew or other tobacco products are not affected);

- allow Scranton to, upon termination of its distressed municipality status, levy up to a $156-per-year local services tax if its pension system remains in moderate or severe distress with any amount over $52 to be applied solely to the city's unfunded actuarial accrued pension liability;

- transfer $20 million from the Marcellus Legacy Fund to the Environmental Stewardship Fund (with 23 percent of the funding to go to the Department of Conservation and Natural Resources, 35.7 percent for the Department of Environmental Protection, 18.7 percent to the Agriculture Department, 22.6 percent to the Pennsylvania Infrastructure Investment Authority;

- reduce by $15 million the transfer from the Oil and Gas Lease Fund to the Marcellus Legacy Fund;

- prevent any amount of General Fund surplus in FY2014-15 to be deposited in the Budget Stabilization Reserve Fund;

- make $22 million available in FY2015-16 for water and sewer projects with a cost of not less than $30,000 and not more than $500,000;

- basically double the amount of Tobacco Settlement funding dedicated to Medicaid benefits for workers with disabilities, which reduces – from 45.6 percent to 30.72 percent – the amount available in the fund to be separately appropriated for health-related purposes (all other distributions remain the same as in FY2014-15);

- transfer $25.579 million to the Race Horse Development Fund;

- transfer $2.5 million from the sale of liquor and alcohol to the Office of Drug and Alcohol Programs;

- transfer $4.5 million to the General Fund from the fund created by Dormitory Sprinkler System Act;

- transfer $12 million from the Alternative Energy Investment Act to the Natural Gas Infrastructure Development Fund;

- create a restricted account for contributions to the Public School Employees' Retirement System (approximately $280 million of Sales and Use Tax revenue will be moved out of the General Fund and into this restricted account in FY2016-16, with that total to grow to nearly $561 million in FY2016-17);

- give the General Assembly the ability to approve or disapprove the state's plan to comply with federal Environmental Protection Agency greenhouse gas regulations;

- appropriate $5 million to support the provision of fire services to the Capitol Complex in the City of Harrisburg;

- rebalance county welfare reimbursement payments (saving the state $172 million over two years with no impact to the counties);
- prohibit the Environmental Quality Board from adopting or promulgating any regulations applicable to operation of convention oil and gas wells if they were formulated or proposed prior to the adoption of the Fiscal Code bill, and allows the EQB to start fresh with such regulations after the adoption of the Fiscal Code bill;

- creation of a Homeownership Assistance Program within the Pennsylvania Housing Finance Agency; and

- allow county redevelopment authorities in counties with racetrack casinos to be eligible to receive Commonwealth Financing Authority grant funding (no more than 10 percent of the total grant funds awarded to all county authorities) from the dollars generated by the local share assessment established as part of the creation of the State Gaming Fund.

And House Bill 941, the framework Administrative Code, would

- eliminate the current State Horse Racing Commission and State Harness Racing Commission and create a new State Horse Racing Commission to regulate horse racing and pari-mutuel operations, as well as redirect $261,000 from the General Fund (from fine revenue) to the State Racing Fund, with the changes to generate about $591,000 annually for the Fund – possibly more - which will also receive a transfer of $11.3 million from the Race Horse Development Fund in FY2016-17);

- create a Citizens Advisory Council within the state Department of Environmental Protection;

- authorize the Philadelphia Parking Authority to enforce Public Utility Commission regulations with regard to transportation network companies; and

- reduce the license fee for a distillery of historical significance (established prior to Jan. 1, 1875 and which produces no more than 20,000 gallons of liquor per year) from $5,400 to $1,200.

Both the House and Senate are scheduled to resume voting session at 11 a.m. on Thursday.