

MCA
Summary of Legislation
February 2018

Gov. Wolf Proposes \$33 Billion Budget That Prioritizes Education Funding and Workforce Development

On February 6, while many ears around the capitol were still ringing from the Eagles' Super Bowl victory celebrations, **Gov. Tom Wolf** gave his annual budget address, the last of his current term, proposing a ringing in at \$33 billion spending plan that again prioritizes education funding and workforce development initiatives while also again calling for a severance tax, agency consolidations, and other revenue and cost savings initiatives. Unlike previous proposals, this election-year budget proposal includes no broad-based personal income or sales and use tax increases. The proposal is approximately \$600 million more than the governor's proposed budget for FY 2017-2018 and over \$900 million more than the \$32 billion spending plan that was later enacted.

As he has in all four of his budget requests, the governor is asking for a natural gas severance tax to help balance the budget. The proposed tax is a volumetric based tax that increases based on the price of gas, similar to that contained in Rep. Gene DiGirolamo's **HB 1401**, which came tantalizingly close to passage in the House in 2017. The legislation currently under contentious consideration in the House of Representatives that is expected to bring in between \$150 million and \$200 million in annual full-year collections—the governor's proposal doubles the tax rates in the House bill and is estimated to bring in around \$250 million for the FY 2018-2019 budget.

In terms of agency consolidation, something the Republican legislature refused to enact during last year's budget cycle, the governor is still seeking to consolidate the Department of Health and the Department of Human Services into one agency. Last year's proposal also included the Departments of Aging and Drug and Alcohol Programs in the consolidation, but pushback from interest groups with a stake in maintaining the autonomy and separate funding streams of those agencies delayed action, and resulted in a more modest proposal this time.

Wolf is also seeking to formalize the internal consolidation between the Department of Corrections and the Board of Probation and Parole into one Department of Criminal Justice, and funding is proposed accordingly. This proposal was also met with resistance in the House. According to the governor's office, the formal mergers will make collaboration more effective, enhance service delivery, and eliminate duplicative expenditures for redundant tasks. They are not strictly budget issues, as the focus is on efficiency, rather than savings.

"Because we've begun to take a new approach to our budget, I can come before you today with a budget that makes the investments we need to continue our progress without any tax increases on Pennsylvania families," the governor said during his address.

The primary increases are in the areas of education spending and workforce development. Wolf has called for an additional \$225 million in education investment, including another \$100 million in basic education funding. The budget proposal also calls for \$20 million more in special education funding, \$30 million for Pre-K Counts, \$10 million for Head Start, \$10 million for career and technical education, and \$15 million for investment in the State System of Higher Education. Additionally, the governor is hoping for \$40 million for the PAsmart program that is aimed at developing current-day needed job skills that meet 21st century careers.

Workforce development initiatives put forward by the governor include providing another \$5 million in investment for the **PA first** workforce development tool and **\$12 million for funding Manufacturing PA** to support the Pennsylvania Manufacturing Training-to-Career Grant Program, the Manufacturing Innovation Program, and Pennsylvania's Industrial Resource Centers.

"Developing a workforce that can compete and win in the 21st-century economy is the single best way to help Pennsylvania businesses grow – and attract new businesses to our Commonwealth," he stated.

The governor is also proposing increasing the minimum wage to \$12 per hour from the current \$7.25 per hour, which he says would not only provide needed state revenue, but also reduce entitlement costs in the Department of Human Services by \$101 million annually with federal savings of \$600 million annually.

In addition, the governor said he is seeking a \$25 million state investment, with \$5 million in federal matching funds, to expand access to high quality child care and hopes to work with the General Assembly to align state workplace standards with today's workforce and social realities by seeking pay equity, guaranteed earned sick leave, and sexual misconduct victim protections.

Other main budget highlights include a commitment to a full-funding of the state's **annual pension obligation**, increasing funding for services for Pennsylvanians with intellectual disabilities, and investing in the new positions within the Department of Environmental Protection to prioritize protecting the environment while **reforming the department's permitting processes**.

The governor is also calling for the implementation of full **combined reporting** with the revenue dedicated to offsetting the costs of reducing the corporate net income tax from its current rate of 9.99 percent to a more regionally-competitive level of 7.99 percent by 2023.

Overall, Gov. Wolf struck a positive tone for Pennsylvania's outlook in addressing the joint session of the Pennsylvania General Assembly.

"[T]he Pennsylvania we all are so proud of – the place where you could work hard and earn a good living, raise your family in a strong community, watch your kids find opportunity of their own – it wasn't magically bestowed upon us. It was built, by generations of people who did hard things, together," he said.

"Now it's our turn. It's our turn to make the tough decisions with courage and conviction. It's our turn to invest in new technologies, inspire new discoveries, and incubate new industries. It's our turn to build a stronger and fairer economy; healthier and safer communities; and new opportunities for the next generation. It's our turn to finish writing the next chapter in the story of this great Commonwealth."

The state's fiscal year ends on June 30, 2018. Legislative leaders mostly spoke hopefully of the prospects for an on-time, or even early, passage of the budget this year, a feat not accomplished fully in more than a decade. More details of the proposal can be found on the Governor's Budget office website:

<http://www.budget.pa.gov/Pages/default.aspx>

[CLICK HERE](#) to read Republican legislative leadership reaction to the governor's budget address.

[CLICK HERE](#) to read Democratic legislative leadership reaction to the governor's budget address.

Legislative Activity

The following bills of interest to the construction industry have been introduced and/or acted upon in the past month.

Bidding / Contracting

[SB 799](#) RE: Pennsylvania Clean Water Procurement Program Act (By Sen. Rich Alloway, et al)

Establishes the Pennsylvania Clean Water Procurement Program to provide for the purchase of verified TMDL nutrient credits from certified nutrient credit generators through a competitive bidding process consistent with 62 Pa.C.S. Pt. I (relating to Commonwealth Procurement Code) and any other competitive process determined to be appropriate by the Department of Environmental Protection and the State Conservation Commission; provides for powers and duties of the State Conservation Commission; and establishes the Watershed Improvement Fund. The department shall transfer the nutrient reduction mandates of a permittee to a competitive bidding program to enable all certified nutrient credit entities that can generate verified TMDL nutrient credits to participate in an RFP on a voluntary basis. In return for being absolved from the TMDL nutrient reduction mandate, the aggregate number of permittees may pay into the program \$50,000,000 annually for 10 years, subject to annual adjustment. Transfer payments shall be paid into the Watershed Improvement Fund, to be used by the commission for the purchase of verified TMDL nutrient credits. Winning bids will offer 20 percent of total nutrient

reduction allotment to be available for participation for 30 days by small sources that did not participate in the bidding process so that a small producer who installs a BMP can subscribe to sell their credits into this pool and receive the winning bid price absent the need to participate in the bidding process.

Discussed during Senate Appropriations Committee budget hearing with Department of Conservation and Natural Resources, 2/28/2018

Budget Related Bills

[HB 2070](#) RE: [Budget Procedure Reform Legislation](#) (by Rep. Jason Ortitay, et al)

Amends the Administrative Code, in Commonwealth budget procedures, further providing for fiscal notes, providing for adoption of expenditure limitations and for form of appropriation acts and further providing for revenue estimates; and, in Independent Fiscal Office, further providing for revenue estimates. The bill establishes that no later than June 1 of each year, the General Assembly shall adopt expenditure limitations for the ensuing fiscal year by concurrent resolution. Prior to signing an appropriations bill, the governor shall sign the concurrent resolution adopting expenditure limitations.

Introduced and referred to House State Government Committee, 2/12/2018

[SB 980](#) RE: General Appropriation Act of 2018 (by Sen. Vincent Hughes, et al)
Senate Democrats FY 2018-19 Budget bill. Mirrors Governor Wolf's budget proposal.

Introduced and referred to Senate Appropriations Committee, 2/22/2018

[SB 995](#) RE: Capital Budget Act of 2018-2019 (by Sen. Vincent Hughes, et al)

Provides for the capital budget for the fiscal year 2018-2019 and appropriates \$1,010,000,000. Effective July 1, 2018, or immediately, whichever is later.

Introduced and referred to Senate Appropriations Committee, 2/22/2018

[SB 996](#) RE: Capital Budget Project Itemization Act of 2018-2019 (by Sen. Vincent Hughes, et al)

Provides for the capital budget for fiscal year 2018-2019; itemizes public improvement projects and furniture and equipment projects leased or assisted by the Department of General Services, the Department of Conservation and Natural Resources, the Department of Environmental Protection, the Department of Transportation or the Pennsylvania Fish and Boat Commission, together with their estimated financial costs; authorizes the incurring of debt without the approval of the electors for the purpose of financing the projects to be constructed, acquired or assisted by the Department of General Services, the Department of Environmental Protection, the Department of Transportation or the Pennsylvania Fish and Boat Commission; authorizes the use of current revenue for the purpose of financing the projects to be constructed, acquired or assisted by the Department of Conservation and Natural Resources or the Department of Transportation stating the estimated useful life of the projects; and makes appropriations.

Introduced and referred to Senate Appropriations Committee, 2/22/2018

Environmental Building Standards

NONE

Liability

NONE

Local/State Government/Regulations

NONE

Local/Property Tax Reform

NONE

Mandate Waivers

NONE

Mechanic's Lien

NONE

Permitting

[SR 226](#) RE: Environmental Permitting Programs (by Sen. John Yudichak, et al)

A Resolution directing the Legislative Budget and Finance Committee to conduct an independent performance evaluation of certain Statewide environmental permitting programs administered by the Department of Environmental Protection.

Reported as committed from Senate Environmental Resources and Energy Committee, 1/30/2018

Adopted by voice vote, 2/6/2018

Professional Licensure

[HB 1960](#) RE: State Agency Regulatory Compliance Officer Act (by Rep. Brian Ellis, et al)

Requires each state agency to designate an employee as the agency's regulatory compliance officer. Provides for the powers and duties of the regulatory compliance officer. Requires each agency to submit an annual report to the General Assembly detailing the progress made by each agency and the regulatory compliance officer in the preceding calendar year towards compliance with this act.

Reported as committed from House State Government Committee, read first time, and laid on the table, 2/6/2018

[SB 354](#) RE: [Strengthening Licensee Reporting Requirements and Suspensions](#) (by Sen. Tommy Tomlinson, et al)

Amends "An act empowering the General Counsel or his designee to issue subpoenas for certain licensing board activities; providing for hearing examiners in the Bureau of Professional and Occupational Affairs; providing additional powers to the Commissioner of Professional and Occupational Affairs; and further providing for civil penalties and license suspension," further providing for definitions; providing for reporting of sanctions and criminal proceedings and for suspension; and further providing for civil penalties. The bill requires all persons licensed, certified, or registered with the Bureau of Professional and Occupational Affairs to report any disciplinary conduct in another jurisdiction by a licensing board or an arrest, indictment or conviction. The legislation would provide penalties for failure to report within 30 days. The legislation also provides for license suspension and hearing process and procedure.

Re-reported on concurrence as committed from Senate Rules and Executive Nominations Committee, 2/5/2018

Senate concurred in House Amendments to Senate Amendments, 2/6/2018

Signed in the Senate and in the House, 2/6/2018

Approved by the Governor 2-15-18 G (Act No. [6](#) of 2018)

Sales/Use Tax

NONE

School Construction

NONE

Transportation

NONE

Worker's Comp

[SB 936](#) RE: Workers' Comp (by Sen. Don White, et al)

Amends the Workers' Compensation Act, in liability and compensation, further providing for prescription drugs and the treatment of work-related injuries; and, in procedure, further providing for peer review. The bill requires the department to select a nationally recognized, evidence-based prescription drug formulary appropriate for resolving issues related to drugs prescribed for or related to the treatment of work-related injuries and establishes requirements

related to the formulary for comment periods, selection factors, costs, annual review, online availability, savings calculations, and utilization review. The bill also places requirements on utilization review organizations and peer review organizations for certification.

Read second time, and rereferred to House Appropriations Committee, 2/5/2018

Reported as committed from House Appropriations Committee, read third time, and defeated on final passage, 2/6/2018 (98-98)

Workforce Development

NONE

Upcoming Meetings of Interest

Some House Committee meetings and session can be viewed online at: <http://www.pahousegop.com/>

Senate Committee meetings and session can be streamed at: <http://www.pasenategop.com/>

TUESDAY - 3/13/18

House State Government Committee

9:00 a.m., Room G-50, Irvis Office Building

To consider: **HB 1792** (Benninghoff) - Amends the Regulatory Review Act, further providing for procedures for subsequent review of disapproved final-form or final-omitted regulations;

HB 1959 (Rothman) - Act providing for the administration of permits by State agencies, for a tracking system for permit applications, for the establishment of permit programs and for annual reports;

HB 1849 (Bloom) - Act providing for open contracting by the Commonwealth and its political subdivisions and their agencies and authorities.

Among others

WEDNESDAY - 3/14/18

House Professional Licensure

9:30 a.m., Room G-50, Irvis Office Building

To consider: **HB 1343** (Readshaw) - Amends Act entitled "An act empowering the General Counsel or his designee to issue subpoenas for certain licensing board activities;" further providing for civil penalties.

And others

Copies of all bills of interest can be accessed via the Internet at:

<http://www.legis.state.pa.us/cfdocs/legis/home/session.cfm>