



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 907

PRINTERS NO. 1452

PRIME SPONSOR: Browne

COST / (SAVINGS)

FUND	FY 2010/11	FY 2011/12
General Fund	\$0	\$53,100,000

SUMMARY: Senate Bill 907, Printer’s Number 1451, amends the Fiscal Code adding the 2011-12 budget implementation language and making related repeals.

ANALYSIS: The following is a summary of the provisions of the amendment:

Sales and Use Tax

- Act 48-2009 provided for semi-monthly payments beginning in June 2011.
- This amendment implements the Department of Revenue’s revised policy relating to the sales tax filing frequency.
- The amendment eliminates semi-monthly payments and requires an advance payment of 50% of the preceding calendar year’s liability to be paid in one payment on the 20<sup>th</sup> of the month.

No adverse fiscal impact on Commonwealth funds.

Agricultural College Land Scrip Fund (Scrip Fund)

- The amendment creates a restricted account within the Scrip Fund for funding agricultural research and agricultural extension.
- Moneys appropriated or transferred into the restricted account shall be paid to the Commonwealth’s land grant university on an equal monthly basis during the fiscal year.

No adverse fiscal impact on Commonwealth funds.

Neighborhood Improvement Zones (NIZ)

- Act 50 of 2009 authorized a city of the third class to designate an NIZ for the purpose of improvement and development of a zone and to construct a facility or facility complex within the zone. Within 30 days of enactment, the city was required to make application to decertify and remove the current Keystone Opportunity Zone (KOZ) designation.
- The amendment makes corrections to allow the city to continue with the development of the NIZ and construction of a facility or facility complex in the zone as follows:
  - Opens a new window for the decertification of the KOZ.
  - Limits the debt issuance, including any refunding, to a maximum term of 30 years.
  - Clarifies the pledge of the Commonwealth for State taxes collected within the zone.

- Clarifies the flow of monies from the State and local taxing authorities and provides for an annual settlement with the contracting authority.
- Any excess moneys shall first be returned to the General Fund and then to the local taxing authorities who collected the taxes.
- The Commonwealth will not change the law to impair the bonds.

*No adverse fiscal impact on Commonwealth funds.*

#### **Financially Distressed Municipalities**

- Applies to a 3<sup>rd</sup> Class City financially distressed under Act 47.
- No distressed city may file for bankruptcy prior to July 1, 2012.
- If a city does not comply, all Commonwealth funding to the city shall be suspended.

*No adverse fiscal impact on Commonwealth funds.*

#### **Keystone Special Development Zone (KSDZ)**

- Creates a new program for the designation of a KSDZ for parcels of real property certified as Brownfields pursuant to the Land Recycling and Environmental Remediation Standards Act.
- The KSDZ designation shall exist for 15 years.
- Provides a tax credit for employers within a KSDZ for new full time jobs created in the zone.
- The tax credit shall be equal to \$2,100 per new full time job created beginning in tax year 2012 and for a period of 10 tax years during the 15 year period of the zone.
- The tax credit may only be applied against the qualified tax liability in the zone and may be carried forward for 10 taxable years.
- Excess credits may be sold or assigned.

*No adverse fiscal impact on Commonwealth funds.*

#### **Tax Credits**

##### Research and Development Tax Credit

- Provides for a \$55 million annual cap on credits awarded in 2011-12 and thereafter.

*Reduces General Fund revenues by an estimated \$0.2 million.*

##### Film Production Tax Credit

- Provides for a \$60 million annual cap on credits awarded in 2011-12 and thereafter.
- Provides a 1-year carryforward for credits purchased or assigned in calendar year 2011.

*Increases General Fund revenues by an estimated \$5.1 million.*

##### Job Creation Tax Credit

- Provides for a \$10.1 million annual cap on credits awarded in 2011-12 and thereafter.

*Increases General Fund revenues by an estimated \$4.2 million.*

#### **Rainy Day Fund (RDF)**

- Provides that no amount of the fiscal year 2010-11 surplus may be transferred into the RDF.

*No adverse fiscal impact on Commonwealth funds.*

#### **State Workers' Insurance Board**

- Extends the authority of the board to invest money in equities subject to the limitation that the investments may not exceed the lesser of 15% of the State Workers' Insurance Fund's assets or up to 7.5% of its assets in equities.

*No adverse fiscal impact on Commonwealth Funds.*

### **Budget Implementation Language**

- Provides implementing language for specific line items as to how funds appropriated in the General Appropriations bill of 2011-12 are distributed.
- Creates a subarticle for State Government Support Agencies and places commissions and agencies that support both the Legislative and Executive branches into this subarticle.
- Provides that any unexpended amounts on the effective date of the act may be transferred between accounts of the State Government Support Agencies upon written concurrence of President pro tempore, Speaker of the House and the Majority Leaders of both chambers.
- Repeals subarticle for Legislative Department and adds subarticle for General Assembly.
- Repeals the articles implementing the fiscal year 2006-07 budget.

*No adverse fiscal impact on Commonwealth funds.*

### **PA Health Care Cost Containment Council**

- Removes 40% cap on the amount of proceeds from sale of data that PHC4 retains.

*No adverse fiscal impact on Commonwealth funds.*

### **Tobacco Settlement Fund (TSF)**

- 2010-11 Strategic Payment shall remain in the TSF.
- 2011-12 Endowment Account monies shall remain in the TSF.
- 62.5% of 2011-12 funds for Prevention and Cessation shall remain in the TSF.
- 33.3% of 2011-12 funds for health investment insurance and Medicaid benefits for workers with disabilities remain in the TSF.
- 18.2% of 2011-12 funds for Uncompensated Care shall remain in the TSF.
- Monies remaining in the fund will be used for the Tobacco Settlement Fund programs.
- Permits funds deposited into the TSF from the Master Settlement Agreement payments received in April 2011 and April 2012 to be used to make appropriations.
- All 2011-12 investment returns and earnings for the Health Venture Account shall be reinvested in the account.

*No adverse fiscal impact on Commonwealth funds.*

### **Purchase Cards (P-cards)**

- Moves language to the permanent section to continue the use of P-cards for financial transactions.

*No adverse fiscal impact on Commonwealth funds.*

### **Treasury Offset Program**

- Authorizes the Budget Office to enter into an agreement with the United States Treasurer to participate in a vendor payment offset program.

*No adverse fiscal impact on Commonwealth funds.*

### **Auditor General**

- If the Auditor General fails to deliver the annual audit of Commonwealth-managed Federally funded programs by March 31 the Treasurer shall not release any funds to the Auditor General for the next quarter.

*No adverse fiscal impact on Commonwealth funds.*

### **Pennsylvania Infrastructure Investment Authority (PENNVEST)**

- Transfers \$15 million of PENNVEST funds to the PA Gaming Economic Development Tourism Fund to meet bond debt obligation payments.
- These funds are transferred as a loan and shall be repaid by June 30, 2020.

*No adverse fiscal impact on Commonwealth funds.*

### **Pennsylvania Higher Education Assistance Agency (PHEAA)**

- PHEAA shall use funds to maximize Federal matching funds to the fullest extent possible.
- Transfers the Disadvantaged Student Grant Program for the blind and deaf from the Department of Education to PHEAA. No programmatic changes.
- Repeals the Higher Education Equal Opportunity Act which currently authorizes the program for the blind and deaf.

*No adverse fiscal impact on Commonwealth funds.*

### **Catastrophic Loss Benefits Continuation Fund**

- Permanently redirects moving violation surcharges to be deposited into the General Fund.
- Increases General Fund revenues by an estimated \$44 million.*

### **State Gaming Fund**

- Corrects the citation to the authorizing act for the Volunteer Fire Company and Ambulance Service grant program which receives \$25 million annually from gaming funds.
- If the Budget Secretary authorizes a transfer from the Property Tax Relief Reserve Fund (Reserve Fund) in order to provide sustainable Property Tax Relief, and there are insufficient funds in the Reserve Fund, the PA Gaming Control Board shall immediately assess the casinos for the amount of the insufficiency.
- Current law provides that loans to the Reserve Fund shall begin to be paid back by casinos when there are 11 operating casinos. This amendment provides that the repayment of the loans shall begin on January 1, 2012, by all licensed gaming entities.

*No adverse fiscal impact on Commonwealth funds.*

### **Horsemen's Organizations Audits**

- The Department of Agriculture shall conduct an annual financial audit of funds distributed from the PA Race Horse Development Fund including recommendations for change.
- Each Horsemen's Organization shall prepare an annual financial statement in accordance with generally accepted accounting principles for the organization and all of its affiliates.
- The Department of Agriculture shall conduct an audit of the annual financial statements provided by the Horsemen's Organizations.
- All audits and financial statements required to be filed under 4 Pa.C.S. Section 1406(e) and those required by this section shall be provided to the following:
  - Department of Agriculture;
  - Chairman and minority chairman of the Community, Economic and Recreation Development Committee of the Senate;
  - Chairman and minority chairman of the Gaming Oversight Committee of the House.
  - Chairman and minority chairman of the Agriculture and Rural Affairs Committee of the Senate and the House;

- Pennsylvania Gaming Control Board; and
- State Horse Racing Commission and State Harness Racing Commission.
- Each Horsemen's Organization shall cooperate fully with all audits and shall reimburse the department for all fees and costs to administer this section.
- Any Horsemen's Organization found to be out of compliance with the requirements of this section shall have all distributions from the fund suspended.

*No adverse fiscal impact on Commonwealth funds.*

**Repeals**

- Section 217 of the Tax Reform Code is repealed insofar as it is inconsistent with the addition of the sales and use tax provisions.
- The Higher Education Equal Opportunity Act is repealed.
- Section 712(m) of the Medical Care Availability and Reduction of Error (Mcare) Act is repealed.

**PREPARED BY:** Ritchie LaFaver  
House Appropriations Committee (R)

**DATE:** June 28, 2011

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*