

**Week of February 15, 2016**

**LEGISLATIVE UPDATE – HARRISBURG HEADLINES**

**GOVERNOR WOLF PROPOSES \$33.3 BILLION BUDGET FOR FY2016-17, INCLUDING \$2.72 BILLION IN NEW OR HIKED TAXES**

Last week, on the eve of Governor Wolf's second budget, the Senate Appropriations and Finance Committee held a joint hearing to determine the legality of payments made by the Treasury Department to entities that were previously line-itemed vetoed by Governor Wolf but are now being released above the budgeted amount under the auspices of preserving "public health, safety, and welfare" of the Commonwealth. The actions of the Administration have some elected officials questioning the legitimacy of Governor Wolf's portrayal of the Commonwealth being a major financial crisis immediately following his second budget address last Tuesday. Governor Wolf's budget address asserted that he intends to build upon the "budget framework" deal among legislative leaders in late 2015 for FY 2015-2016 by proposing a \$32.73 billion budget for FY 2016-2017. To fund the Commonwealth's alleged \$2 billion structural deficit and the Governor proposed increases in basic education, Pre-K, distressed municipalities, higher education, and human services funding his Administration proposed a retroactive increase to the personal income tax, increasing it from 3.07% to 3.4% effective January 1<sup>st</sup>; a sales tax expansion to now cover basic cable, movie and video industries, and digital downloads; additional taxes on cigarettes and tobacco products; a PIT on lottery winnings; and a severance tax on Marcellus Shale. While Democrats expressed optimism and support for the Governor's budget plan, Republicans, outraged by the tone and substance of the budget address delivered last Tuesday, outright dismissed the Governor's proposal for its lack of vision. Next week officially kicks off the marathon House and Senate Appropriations Committee hearings, where elected officials are expected to poke and pry state departments heads and agency officials with heated questions related to Governor Wolf's most recent budget proposals.

**ONE TERM FOR ATTORNEY GENERAL KANE**

The Pennsylvania Senate recently held a full vote on whether the Commonwealth's Attorney General, Kathleen Kane, should be removed from office by Gov. Tom Wolf under their "address" of elected civil officer authority given in Article 6, section 7 of the Pennsylvania Constitution. That effort fell a few votes short of the two-thirds majority needed to address the governor to remove the attorney general. The 29-19 vote saw one Democrat—Sen. Rob Teplitz (D-Dauphin)—join the majority in voting to remove Kane and one Republican—Sen. Stewart Greenleaf (R-Montgomery)—join the minority in successfully opposing the removal resolution. The three hour floor debate that predicated the final vote consisted of Senators arguing the pros and cons linked with the removal of the attorney general based upon her suspended law license. Minutes after the Senate vote, Attorney General Kane released a public statement to continue her effort, finish the mission she pledged to carry out, and the job for which she was elected to serve. Yet she had a change of heart when she announced she would not seek reelection for a second term while facing criminal charges for allegedly lying to a grand jury about her role in leaking confidential investigative material to the press. Regardless of her announcement, the House Republicans intend to follow through on its impeachment proceedings and has scheduled a public hearing next week to start the process.

**SHALE IMPACT FEE COLLECTIONS DOWN \$38 MILLION**

The Independent Fiscal Office (IFO) reported impact fee collections for calendar year 2015 and projected the remittances due April 2016 will come in at \$185.5 million, a \$38.5 reduction from the previous year. The sharp reduction is attributed to the annual average price on the New York Mercantile Exchange moving below \$3 per MMbtu to \$2.66 per MMbtu, which necessitated a statutorily required reduction in the per-well fee for operating years one, two, four, and five. That change reduced impact fee collections by \$32.7 million over 2014 numbers and coupled with a 42.9% decline in new wells in 2015; there will be a \$25.3 million negative result on impact fee collections due in April.

## **LEGISLATION INTRODUCED TO ESTABLISH A (CPE) PILOT PROGRAM FOR CPAs**

Rep. Rosemary Brown introduced legislation (HB1860) to establish a four year continuing professional education (CPE) pilot program for CPAs who volunteer their time to assist volunteer fire companies with their financial records. According to the legislation, the pilot program would allow: 1) Up to 40 hours of CPE may be earned; 2) A CPA's time spent on reviewing a fire company's financial records may be used toward the renewal of their license and a waiver of the biennial license fee; 3) A CPA to only review financial records and may not perform an audit; 4) Oversight of the CPA to be conducted by the CPE program sponsor that is assigned to the CPA; The CPA to offer recommendations and suggestions about how to better organize and structure their finances. In addition to helping CPAs renew their licenses at a lower cost, HB1860 purports to reduce the incidents of theft within firefighter organizations.

## **LEGISLATION WILL REMOVE THE CAPITAL STOCK AND FOREIGN FRANCHISE TAX FROM THE TAX CODE**

HB 1839 was introduced to remove language regarding the now expired Capital Stock and Foreign Franchise Tax (CSFT) from the state tax code to ensure the CFST doesn't make its way back on the books during budget negotiations in the future.

## **PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

### **2016 SENATE SESSION SCHEDULE**

**March** 14, 15, 16, 21, 22, 23

**April** 4, 5, 6, 11, 12, 13

**May** 9, 10, 11, 16, 17, 18

**June** 6, 7, 8, 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30

### **2016 HOUSE SESSION SCHEDULE**

**March** 14, 15, 16, 21, 22, 23

**April** 4, 5, 6, 11, 12, 13

**May** 2, 3, 4, 16, 17, 18, 23, 24, 25

**June** 6, 7, 8, 13, 14, 15, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30

## **ANNOUNCEMENTS FROM THE PENNSYLVANIA DEPARTMENT OF REVENUE**

### **Revenue Department Releases January 2016 Collections**

Pennsylvania collected \$2.5 billion in General Fund revenue in January, which was \$6.2 million, or 0.3 percent, more than anticipated, Secretary of Revenue Eileen McNulty reported today. Fiscal year-to-date General Fund collections total \$15.9 billion, which is \$9.2 million, or 0.1 percent, above estimate.