

Week of January 30, 2017

## **HEADLINES**

### **LEGISLATURE UPDATE**

The Pennsylvania House and Senate Standing Committees were officially formed. Proposed legislation is now starting to get introduced and referred to the appropriate standing committees. The legislature will not reconvene voting session until the appropriations committee hearings are finished in mid-March.

### **FACING A BUDGET CRUNCH, WOLF PAYS CONSULTANTS TO HELP FIND SAVINGS**

Facing a multibillion-dollar deficit in the state budget, Gov. Wolf took the unusual step late last year of quietly turning to a private consulting firm for advice. For \$1.8 million, he's hoping McKinsey & Co. can tell him how the state can save some money. The six-week contract promises a little more. The global consulting firm is expected to deliver a report that not only identifies cost savings but new revenue sources at a time the commonwealth desperately needs them. Outside firms are often used by legislators and governors to analyze specific proposals. Still, veteran staffers could not recall the last time a company was brought in to actually formulate fiscal policy. That task normally falls to a team of budget and fiscal analysts that reports directly to the governor. The company, which works with both corporate and government clients, was asked to come up with ways to reduce the budget gap by \$1 billion, according to the contract. Randy Albright, Wolf's budget secretary, described McKinsey as a collaborator with his staff and budget analysts in state-run departments in pinpointing efficiencies. Albright said he expected "95 percent" of McKinsey's recommendations would become part of Wolf's budget proposal.

### **SENATE DEMOCRATS ASK GOV. WOLF TO CALL A SPECIAL SESSION ON PROPERTY TAX REFORM**

The Senate Democratic Caucus was out in force Wednesday, urging the governor to call a special session on property tax reform. The issue has been at the center of heated debate for years in Pennsylvania, and has taken up a particular place of prominence with the recent and increasing success of property tax elimination proponents to gain support for their concept. The leader behind a 2002 special session on property tax reform which saw little substantive policy emerge, Sen. Lisa Boscola (D-Northampton) said the caucus is not married to any particular proposal or idea that it would like to explore in the special session. Sen. Andrew Dinniman (D-Chester) noted that the special session will allow members the focus to realize that property tax reform cannot take place in a one-size-fits-all solution due to things like the state's geographic differences and incongruous debt loads between different districts. While often little has come from past special sessions, Sen. Costa said it will allow particular focus to be given to the subject. A special session can be called by the governor or with the majority of both chambers signing a petition to call for a special session. Gov. Wolf's press secretary JJ Abbott said Wednesday that the governor currently has no plans to call a special session in response to the Senate Democrats' plea.

### **GOVERNOR WOLF TO SEEK CONSOLIDATION OF FOUR STATE AGENCIES**

Continuing to seek government efficiencies and consolidation instead of broad-based tax increases to balance the coming fiscal year's budget, Gov. Tom Wolf formally announced Monday the long-rumored consolidation of four state agencies into one Department of Health and Human Services. According to the administration, the four agencies that will be consolidated are the Department of Human Services, Department of Health, Department of Aging, and Department of Drug and Alcohol Programs. The announcement points out that the agencies currently serve similar and often-overlapping populations and highlights four improvements that are anticipated to come as a result of the consolidation: increased focus on the opioid epidemic, increasing ease and focus of services for seniors by breaking down agency silos, reducing complexity in service seeking for seniors and those with intellectual disabilities, and reducing

bureaucratic difficulties for regulated nonprofits and providers. Secretary of Policy and Planning Sarah Galbally said much of the details of the merger will be made clear during the governor's budget address next week, such as cost savings and who will head the new department, but emphasized that there will be no changes in the services Pennsylvania residents currently receive. The consolidation would need approval from the General Assembly and the Wolf administration is hoping a vote will take place before June 30 in order for the merger to become effective in the 2017-18 fiscal year. Though they know questions still remain, Republican and Democratic leaders are showing their support.

### **PROPERTY TAX/ RENT REBATE PROGRAM PROTECTION**

Representative Dan Deasy is re-introducing legislation from last session that would amend the Taxpayer Relief Act to prohibit a landlord and a tenant from entering into an agreement in which the tenant is required to pay any portion of his or her rent rebate received to the landlord or the landlord's representative. This legislation would guarantee that seniors and those with disabilities are able to keep all of the funds they are entitled to under the Property Tax/Rent Rebate Program.

### **COALITION LAUNCHES "PENNSYLVANIA'S CHOICE" INITIATIVE**

A diverse group of Pennsylvania organizations held a rally in the Main Rotunda Tuesday, one week ahead of Gov. Tom Wolf's budget proposal to lobby legislators to fix Pennsylvania's broken tax system. Jeff Garis, Director of Outreach and Engagement for the Pennsylvania Budget and Policy Center, lamented to those assembled that "if the state cannot secure new revenues it will be unable to make the investments that communities across the state need to survive." Marc Stier, Director of the Pennsylvania Budget and Policy Center, declared that in there are two fundamental differences in the function of government. Many in Pennsylvania's legislature, he continued, say government does little good, that it's too big, and too expensive. "When governments are well-funded they do an extraordinary job," he admitted, citing that adequate school funding could make Pennsylvania nationally and internationally competitive academically. He outlined several steps to increase revenue without taxing low- and middle-income individuals and families: Raising the minimum wage to \$15.00, increasing corporate taxes, imposing a severance tax for natural gas fracking, and fix Personal Income Tax.

### **SEVERANCE TAX LEGISLATION**

Representative Gene DiGirolamo and colleagues introduced a co-sponsorship memorandum for legislation to create a 3.2% severance tax, or drilling tax, on unconventional natural gas extraction. This tax will be in addition to the existing Act 13 impact fee. Under the current impact fee, each well is assessed a fee which declines over time for the first fifteen years of operation. All unconventional wells drilled each year, no matter how much natural gas is produced, pay the same fee. For what is thought to be a typical unconventional well, the total impact fees paid over 15 years amount to less than 2% of the value of the natural gas sold from the well. This proposal leaves this intact, but creates a new drilling tax that would be paid in addition to the impact fee. The revenue from the tax would be used for further investments in education, paying down the pension debt, the environment, and human development according to the bill's sponsors.

### **PA TREASURY TRANSPARENCY WEBSITE FEATURE ALLOWS TAXPAYERS TO TRACK GENERAL FUND BALANCE FOR THE FIRST TIME**

Pennsylvania Treasurer Joe Torsella unveiled a new, groundbreaking transparency website feature that for the first time allows Pennsylvania taxpayers to access up-to-date information on the state's General Fund, which serves as the state's checkbook. The portal tracks the current balance of the General Fund, compares monthly and annual revenues and expenditures and illustrates how Treasury's line of credit prevents the fund from falling into the negative.

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

### **2017 SENATE SESSION SCHEDULE**

<b>February</b>	1, 6, 7, 8
<b>March</b>	20, 21, 22, 27, 28, 29
<b>April</b>	17, 18, 19, 24, 25, 26
<b>May</b>	8, 9, 10, 22, 23, 24
<b>June</b>	5, 6, 7, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

### **2017 HOUSE SESSION SCHEDULE**

<b>February</b>	6, 7, 8
<b>March</b>	13, 14, 15, 20, 21, 22
<b>April</b>	3, 4, 5, 18, 19, 24, 25, 26
<b>May</b>	8, 9, 10, 22, 23, 24
<b>June</b>	5, 6, 7, 12, 13, 14, 19, 20, 21, 22, 26, 27, 28, 29, 30

## **DEPARTMENT OF REVENUE UPDATE**

### **Revenue Department Releases January 2017 Collections**

Pennsylvania collected \$2.6 billion in General Fund revenue in January, which was \$49.8 million, or 1.8 percent, less than anticipated, Secretary of Revenue Eileen McNulty reported. Fiscal year-to-date General Fund collections total \$16.1 billion, which is \$416.8 million, or 2.5 percent, below estimate. Sales tax receipts totaled \$913.5 million for January, \$5.1 million below estimate. Year-to-date sales tax collections total \$5.9 billion, which is \$138.4 million, or 2.3 percent, less than anticipated. Personal income tax (PIT) revenue in January was \$1.3 billion, \$27.3 million above estimate. This brings year-to-date PIT collections to \$6.7 billion, which is \$98.6 million, or 1.4 percent, below estimate. January corporation tax revenue of \$104.5 million was \$60.4 million below estimate. Year-to-date corporation tax collections total \$1.4 billion, which is \$160.9 million, or 10.5 percent, below estimate. Inheritance tax revenue for the month was \$77.1 million, \$1.7 million above estimate, bringing the year-to-date total to \$530.1 million, which is \$9 million, or 1.7 percent, below estimate. Realty transfer tax revenue was \$37.7 million for January, \$9.9 million below estimate, bringing the fiscal-year total to \$281.9 million, which is \$44.6 million, or 13.6 percent, less than anticipated. Other General Fund tax revenue, including cigarette, other tobacco products, malt beverage, liquor and table games taxes, totaled \$146.9 million for the month, \$5 million above estimate and bringing the year-to-date total to \$1.1 billion, which is \$11.3 million, or 1.1 percent, below estimate. Non-tax revenue totaled \$73.4 million for the month, \$8.5 million below estimate, bringing the year-to-date total to \$220.4 million, which is \$45.9 million, or 26.3 percent, above estimate. In addition to the General Fund collections, the Motor License Fund received \$214.5 million for the month, \$1.6 million above estimate. Fiscal year-to-date collections for the fund – which include the commonly known gas and diesel taxes, as well as other license, fine and fee revenues – total \$1.5 billion, which is \$11.6 million, or 0.8 percent, below estimate.

### **IRRC UPDATES**

None