

Week of May 21, 2018

**HEADLINES**

**Federal judge rules $200 million in last year’s budget unconstitutionally allocated**

A federal judge overturned part of Pennsylvania’s 2017 budget compromise Thursday. The decision, by federal Judge Christopher Conner, found that a transfer of $200 million into the General Fund from a state-funded organization meant to finance the purchase of malpractice insurance violated the constitutional right to due process. The organization, the Pennsylvania Professional Liability Joint Underwriting Association, was first established in 1975 and reestablished in 2002. That law, the Mcare Act, mandates all malpractice insurers join. Legislators last year tucked into that fund for money as part of a hodgepodge of funding mechanisms that balanced the 2017 state budget. A similar move attempted in 2016 was also challenged by the association, which for the time being held onto its fund balance. House Republican spokesman Steve Miskin said they are reviewing their options, "especially in light of what appears to be an absolutely overly broad order — that goes way beyond the legal of the case." In a written response, Drew Crompton, a senior legal staffer with Senate President Pro Tempore Joe Scarnati (R-Tioga), argued the ruling extends beyond the issues regarding the JUA and threatens funding to numerous state programs. Wolf spokesman JJ Abbott said the administration is evaluating Conner’s ruling. “The governor will continue to prudently manage the commonwealth’s finances in the interim, and will work closely with the House and Senate on any necessary solution to mitigate potential impacts to next year’s budget,” Abbott said. Judge Conner issued an amended order on Friday, specifying that it was only the JUA piece which was unconstitutional, not the fiscal code as a whole.

**Committee Movement**

Thursday, the House Tourism and Recreational Development Committee met to consider Rep. Heffley’s HB 1810, which requires online housing platforms that facilitate the booking of overnight lodging in Pennsylvania to register with DOR. The bill was amended by Rep. Heffley to adjust definitions, specifically to exempt hotel corporation websites performing transactions only for their hotels. He noted that the idea for the bill was brought to his attention by the county treasurers who want to ensure everyone is collecting the taxes that are necessary. Rep. Grove’s HB 994, which re-defines mobile telecommunications devices for the purposes of GRT, to align it with the definition used in the Tax Reform Code, was unanimously voted from the Senate Finance Committee and received first consideration on the Senate floor. SB 37, sponsored by Sen. Hutchinson, was voted from the Senate Finance Committee during the same voting meeting. This bill excludes gun vaults, safes, lockers, cabinets, trigger locks, and other gun safety equipment from the sales and use tax.

The House Finance Committee met on Wednesday to consider Rep. Benninghoff’s HB 2167 which changes reporting standards by which securities are determined to be abandoned and unclaimed. Specifically, it provides that any certificate of stock or participating right in a business association, or any sum due as a divided, profit, distribution, payment or distributive share of principle held or owned by a business association is deemed abandoned and unclaimed after three years unless the owner: increased or decreased the principle’s accepted payment of principle or income; or otherwise indicated an interest in the property. Chairman O’Neill noted the Treasury has agreed to the bill. The bill was reported as committed.

**House Committee Approves Stefano Bill to Fight Neighborhood Blight**

The House Urban Affairs Committee approved legislation sponsored by Senator Pat Stefano (R-32) to provide local redevelopment authorities with greater authority and additional resources to combat neighborhood blight. The bill passed the panel unanimously as amended by Rep Matt Dowling (R-51), who Stefano thanked for his work on the legislation.  Stefano said Senate Bill 667 would grant redevelopment authorities the same powers currently allotted to land banks through the Pennsylvania Land Bank Act, enabling them to take an active role in rehabilitated blighted properties and neighborhoods. The legislation would also enable redevelopment authorities to discharge tax liens on blighted properties, and to share up to 50% percent of the real property taxes for five years after conveyance of authority-owned property. It would also eliminate the need to form an entirely new entity in these municipalities, which can be redundant and cost-prohibitive, given the lack of resources and funding for these initiatives. Senate Bill 667 now goes to the full House of Representatives for consideration.

**CO-SPONSOR MEMO**

Rep. Tina Davis circulated a co-sponsor memo this week to direct the Legislative Budget and Finance Committee to study and report on the establishment of charitable funds organized and maintained by municipalities, counties, and school districts for public projects to which property owners may donate in exchange for property tax credits.

**Fontana Praises PHEAA Decision that Avoids Cuts to Student Grants**

State Sen. Wayne Fontana (D-Allegheny) Thursday said he is pleased with the PHEAA (Pennsylvania Higher Education Assistance Agency) board decision to use additional reserve funds to maintain grants to students at the current amounts. Without the action, it was anticipated that grant support to students would be cut by up to 25 percent for the 2018-19 school year. Fontana, who serves as vice-chairman of the board, said the funding strain is due to flat state funding in the face of increased requests for support and additional educational funding obligations. To hold student grant funding harmless, the board agreed to allocate $56 million in fiscal 2019-20 reserve dollars to the 2018-19 funding pool. The decision was reached after PHEAA personnel had several meetings with members of the four state Appropriations Committees, the state budget secretary and chairman and vice chairman of its board.

**Auditor General DePasquale Calls on Philadelphia Parking Authority to Stop Plans for 50-cent Ridesharing Fee**

Auditor General Eugene DePasquale issued the following statement regarding the plans by the Philadelphia Parking Authority (PPA) to impose a 50-cent fee on all rideshare trips: “Before the PPA imposes new fees on the citizens of Philadelphia, it should provide a full and thorough accounting for where it stands on implementing the 117 recommendations for improvement made in my audits last December. “While the PPA claims the fee will generate additional funds for the city and the School District of Philadelphia, the PPA needs to completely clean up its operations and rebuild some trust with residents before adding fees. In December, DePasquale announced the results of two separate audits of the PPA that reveal a myriad of problems including identifying more than $77.9 million in revenue the School District of Philadelphia potentially missed out on between 2012 and 2017.

**Capitolwire: Senate committee leaves some redistricting issues for future debate**

A Senate committee Tuesday approved a proposed constitutional amendment creating a legislative redistricting commission, but left out key details about how it would operate. The Senate State Government Committee avoided the thorny issue of who actually gets to be on the commission, except for barring current lawmakers and state and federal officials. It also avoided picking a final arbiter if the commission's redistricting plans are subject to prolonged deadlock. According to Committee Majority Chairman Mike Folmer, R-Lebanon, those issues would be handled by separate enabling legislation. This could be considered during a lengthy constitutional amendment process that can take several years. Folmer said his main goal is meeting a July 6 deadline to start the initial approval process of a constitutional amendment. Lawmakers face a tight deadline for making constitutional changes to take effect with the next redistricting in 2022. Senate Bill 22 as reported unanimously by the committee would create an eleven-member commission to redraw district maps for both state legislative and congressional districts after the 2020 census. The commission would be made up of four appointees from the two House caucuses, four from the two Senate caucuses and three independents appointed by the governor under the amended bill. The bill creates one avenue for handling state legislative and congressional redistricting instead of the current two-pronged approach. Currently, Pennsylvania handles redistricting of congressional districts through passage of legislation. A commission dominated by legislative leaders handles state legislative districts as per a process delineated within the Pennsylvania Constitution.

**Governor Wolf Announces Statewide 'Resurface PA' Initiative to Attack Potholes, Effects of Long Winter**

Following a long winter season with dramatic temperature swings, Governor Tom Wolf announced Thursday that PennDOT is mounting an aggressive campaign to accelerate repaving work on interstates and attack potholes across Pennsylvania as part of a Resurface PA initiative. Governor Wolf directed PennDOT to dedicate as many resources as possible to pothole and pavement repairs. The department has prioritized $22.3 million for immediate pothole repairs through June 30, which translates into nearly 30,000 tons of patching material. An additional $7 million will be invested in seven interstate maintenance projects covering potholes and other repairs on 78 miles of roads this year.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

June               4, 5, 6, 11, 12, 13, 18, 19, 20, 25, 26, 27, 28, 29

**2018 HOUSE SESSION SCHEDULE**

June                4, 5, 6, 11, 12, 13, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

None

**Department of Revenue Updates**

**Department of Revenue invites new business owners to learn helpful tax tips**

New business owners will have the opportunity to learn important tax tips on June 22 during a state tax seminar in Norristown hosted by the Department of Revenue. The free event, “New Business 101: Tax Tips and Resources,” is a continuation of a program the department developed to provide entrepreneurs with information on state tax obligations and help them achieve success in managing their new businesses. It is also another step the Wolf Administration is taking to support the business community in Pennsylvania. The Norristown state tax seminar follows other seminars the Department of Revenue organized in Harrisburg and Pittsburgh. The event will feature presentations from department tax experts who routinely work with the public and recognize the challenges many new business owners are facing. Discussions will focus on effective record keeping, what constitutes trust fund taxes and how to account for them, collecting sales and use tax, and potential pitfalls to avoid, as well as other topics. More information can be found [HERE.](http://www.media.pa.gov/Pages/Revenue-details.aspx?newsid=253)