

MCA

Summary of Legislation

Budget Update - July 2008

The 2008/09 state budget contains total state and federal spending of approximately \$44.3 billion, an increase of \$1.3 billion, or 2.94% from 2007/08.

The 2008/09 General Fund Budget contains total state spending of approximately \$28.26 billion, an increase of \$1.1 billion or 3.98% from 2007/08.

The 2007/08 fiscal year ended with a General Fund surplus of approximately \$582.8 million. The transfer to the Budget Stabilization Reserve (Rainy Day) Fund based on the 2007/08 budget was eliminated, leaving a balance in the Fund of approximately \$744 million.

Highlights (source: House Democrat Appropriations staff)

General Fund State Expenditures

The 2008/09 General Fund budget is \$1.1 billion or 3.98% above 2007-08. The 2007-08 General Fund budget was \$27.2 billion and ultimately included supplemental appropriations totaling \$6.8 million. Five million dollars in expenditures were shifted to the Manufacturing Fund and \$50 million in expenditures were shifted to the Lottery Fund to pay for Long Term Care. The three Departments receiving the largest increase in state funds were the Department of Public Welfare, \$633.5million the Department of Education, \$318.5million, and the Department of Corrections, \$39.5million.

Education

The basic education subsidy for 2008/09 is \$5.22 billion, an increase of \$274 million or 5.5 percent. For the first time, a new subsidy formula was developed based upon the recommendations of the Costing-Out Study authorized by Act 114 of 2006. This new formula is used to allocate the basic education subsidy to school districts in an effort to provide an adequate and equitable distribution of state funds for Commonwealth students. The special education subsidy will increase by \$16.77 million to nearly \$1.027 billion. Each district will receive a pro rata share of this 1.7% increase in funds. Pre- K Counts, now in its second year of funding, will receive a 15 percent increase for a total of \$86.4 million. The Accountability Block Grant will receive \$271.4 million and the Classrooms for the Future initiative continues for a third year and will receive \$45million. Funding for Science: It's Elementary was increased by 7.4% to \$14.5 million. For 2008/09, community colleges will receive an additional \$6.8 million, or three percent increase, for an appropriation of \$236.2 million. The State System of Higher Education will also receive a three percent increase, bringing the total university funding to \$498.5 million.

HB 1067 contained language calling for a study of mandate waivers.

Fiscal Code (SB 1297)

Given concerns regarding language that is constitutionally permissible for inclusion in the budget bill, the General Assembly amended the Fiscal Code for the third year in a row to include language that directly links to the General Appropriations Act. This is in response to a December 2005 Pennsylvania Supreme Court decision that invalidated Medical Assistance provisions in the 2002 General Appropriations Act because it constituted "improper substantive language."

This year the Fiscal Code was amended to address this and other issues.

ArticleXVII-H provides language for appropriations in the 2008/09 General Fund Budget Act. These provisions deal with the more "temporary" issues that relate specifically to the 2008/09 budget:

- **Sections 1-2** of the bill amends Section 301.1 and adds Sections 301.2 and 301.3 to the Fiscal Code, extending the authorization of the Treasurer to invest in long-term instruments, including equity securities and mutual funds to December 31, 2010. Changes also require the Department to provide an annual report identifying the status and performance of the investments and transactions made over the previous fiscal year.

- **Section 1702-A** of the Fiscal Code was amended to stipulate that no amount of the surplus in the General Fund for fiscal year 2007/08 may be deposited into the Budget Stabilization Reserve (Rainy Day) Fund.

• **Section 1720-I** diverts \$22.2 million from the Property Tax Relief Reserve Fund and loans it to the Pennsylvania Gaming Control Board for 2008/09 administrative and operational expenses. This loan has no impact on the timing or amount of statewide property tax relief as provided by the **Taxpayer Relief Act (Special Session Act 1 of 2006)**. The Board is required to repay the loan using assessments on licensed gaming entities once eleven slot machine licenses are issued and the eleven gaming entities are operating. Each slot machine licensee will pay an amount proportional to its gross terminal revenue. Beginning January 1, 2011, if the Budget Secretary determines that Reserve Funds are needed for property tax relief, the Secretary can require the Board to immediately assess gaming entities to repay the loan. **Section 1720-I** also prohibits the Pennsylvania State Police, Department of Revenue and Attorney General from independently assessing licensed gaming entities for operational costs relating to gaming.

Legislative Activity

HB 1067 RE: Amends Public School Code (by Rep. Jennifer L. Mann, et al)

Amends the Public School Code, in preliminary provisions, further providing for background checks of prospective employees and conviction of employees of certain offenses and prohibiting certain regulations for the 2008-2009 school year; in school finances, further providing for annual budget, additional or increased appropriations and transfer of funds; in pupils and attendance, providing for classroom placement of twins and higher order multiples and parental discretion; in safe schools, further providing for Office for Safe Schools, providing for policy relating to bullying, and further providing for transfer of records; in educational support services and educational assistance programs, further providing for Educational Assistance Program and for definitions; in high schools, establishing the Virtual High School Study Commission; in charter schools, further providing for requirements, for term and form of charter, for facilities, for enrollment, for transportation and for causes for nonrenewal or termination; in education empowerment, further providing for board of school directors, for education empowerment districts and for mandate waiver program; in community colleges, further providing for financial program and reimbursement of payments; in disruptive student programs, further providing for definitions and for applications; in System of Higher Education, further providing for annual report; in educational improvement tax credit, further providing for definitions, for tax credits and for limitations and providing for State-related university reporting; in school districts of the first class, further providing for board of public education and additional duties; in funding for public libraries, providing for State aid for fiscal year 2008-2009; in reimbursements by Commonwealth and between school districts, further providing for definitions and for funding for partnership schools, providing for basic education funding for student achievement and for accountability to Commonwealth taxpayers further providing for payments to intermediate units, for special education payments to school districts, for Commonwealth reimbursements for charter and cyber charter schools and for Pennsylvania accountability grants.

Set on Senate Calendar, rereferred to Senate Appropriations, 7/3/2008

Voted out of Senate Appropriations, reported as amended, laid on the table, read third time, Senate passed (50-0) Received as amended in House and rereferred to House Rules, set on House Calendar, voted out of House Rules, re-reported on concurrence as committed, laid on the table, House concurred Senate amendments (191-11), Signed in the House and the Senate, 7/4/2008

HB 1589 RE: Capital Budget Project Itemization Act of 2007-2008 (by Rep. Dwight Evans, et al)

Provides for the capital budget for the fiscal year 2007-2008; itemizes public improvement projects, furniture and equipment projects, transportation assistance projects, redevelopment assistance capital projects, flood control projects, Keystone Recreation, Park and Conservation Fund projects, Environmental Stewardship Fund projects, Motor License Fund projects, State forestry bridge projects, Pennsylvania Fish and Boat Commission projects, Manufacturing Fund projects and federally funded projects to be constructed or acquired or assisted by the Department of General Services, the Department of Community and Economic Development, the Department of Conservation and Natural Resources, the Department of Environmental Protection, the Pennsylvania Fish and Boat Commission and the Department of Transportation, 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 Community and Economic Development, the Department of Conservation and Natural Resources, the Department of Environmental Protection, the Pennsylvania Fish and Boat Commission or the Department of Transportation; states the estimated useful life of the projects; provides an exemption; provides for limitation on certain capital projects, for special provisions for certain redevelopment assistance capital projects and for preemption of local ordinances for Department of Corrections projects; and makes appropriations.

Received as amended in Senate and rereferred Senate Rules and Executive Nomination,

7/2/2008

Voted out of Senate Rules and Executive Nominations, re-reported on concurrence as committed, set on the table, Senate concurred house amendments to Senate amendments (49-1), 7/3/2008

House and Senate signed, 7/4/2008

Governor approved, (Act 41), 7/7/2008

HB 2231 RE: Redevelopment Assistance for Capital Projects Limit (by Rep. Dwight Evans)

Amends the Capital Facilities Debt Enabling Act by increasing the maximum amount of state redevelopment assistance for capital projects to \$3.45 billion provided that no more than \$200,000,000 in debt would be issued in any of the first four fiscal years beginning with the fiscal year commencing July 1, 2008.

Set on House Calendar, set on the table, read third time, House passed (151-52), 7/1/2008

Received in the Senate and referred to Senate Finance, voted out of Senate Finance, reported as committed, read first time, 7/2/2008

Set on Senate calendar, read second time, rereferred to Senate Appropriations, voted out of Senate Appropriations, reported as amended 7/3/2008

Set on Senate Calendar, laid on the table, read third time, Senate passed (49-1), received in House as amended and rereferred to House Rules, re-reported on concurrence as committed, Set on the House Calendar, laid on the table, House concurred Senate amendments (151-52), Signed in the House and the Senate, Approved by the Governor (Act: 48), 7/4/2008.

HB 2522 RE: Capital Budget Act of 2008-2009 (by Rep. Dwight Evans, et al)

The Capital Budget Act of 2008-2009 appropriates \$1.225 billion for the capital budget for the fiscal year 2008-2009.

Set on the Senate Calendar, read second time, rereferred to Senate appropriations, 7/1/2008.

Voted out of Senate Appropriations, reported as amended 7/3/2008.

Set on Senate calendar, laid on the table, read third time, passed Senate (49-1), Received in House and rereferred to House Rules, Set on House Calendar, laid on the table, House concurred in Senate amendments (169-34), Signed in the House and in the Senate, 7/4/2008.

Approved by Governor (Act: 54), 7/7/2008

SB 2 RE: H2O PA Act (by Sen. Jane Earll, et al)

Provides for the allocation of all money in the Pennsylvania Gaming Economic Development and Tourism Fund not previously allocated to the Commonwealth Financing Authority for distribution for water or sewer projects, storm water projects, flood control projects and high hazard dam projects. For a ten-year period beginning with the initial deposits, no loans or grants shall be distributed for any project located in a city or county of the first or second class (Philadelphia, Pittsburgh and Allegheny County). The authority would incur indebtedness of up to \$750 million to fund the projects. The bill provides for distribution of funds, project review, and requires an annual report to the General Assembly.

Set on Tabled Calendar in the House, Removed from the table, rereferred to House Appropriations, 7/1/2008.

Voted out of House Appropriations, reported as committed, set on the House Calendar, laid on the table, 1 floor amendment adopted, 7/2/2008.

Set on House Calendar, laid on the table, read second time, referred to Senate Rules and Executive Nominations, 7/3/2008

Set on House Calendar, laid on the table, read third time, passed in the House (177-26), received as amended in the Senate and rereferred to Senate Rules and Executive Nomination, voted out of Senate Rules and Executive Nomination, re-reported on concurrence as committed, laid on the table, Senate concurred House amendments (50-0), Signed in the Senate and in the House, 7/4/2008.

SB 1389 RE: Supplemental 2007-08 Budget, FY 2008-09 Budget (by Sen. Gibson Armstrong)

Amends the General Appropriation Act of 2007 increasing and decreasing Federal and State appropriations for the Department of Education, the Department of Public Welfare, the Department of State, the Pennsylvania Emergency Management Agency, the Pennsylvania Historical and Museum Commission, the courts of common pleas and community courts and magisterial district judges; and adding a Federal appropriation to the Department of Aging. *As amended in the Senate, it includes the Senate Republicans' scaled down version of the Governor's proposed 2008-09 spending plan, and a 1% COLA for community MH/MR providers.*

Set on House Calendar, laid on the table, read second time, 7/1/2008

Laid out for discussion in House, read third time, House passed (1070-96), received as amended in Senate and rereferred to Senate Rules and Executive Nomination, voted out of Senate Rules and Executive Nomination, re-reported on concurrence as committed, Senate non-concurred House amendments (50-0), 7/2/2008

Laid on the table in Senate, both House and Senate insist on their amendments, 7/3/2008

Conference committee held, Conference reports presented to House and Senate, laid on the table, House adopted conference committee report (170-32), Senate adopted conference report (49-1), Signed in the Senate and the House, Approved by the Governor (Act 38A), 7/4/2008.

SB 1412 RE: Keystone Opportunity Zone (by Senator John A. Pippy)

Amends the Keystone Opportunity Zone, Keystone Opportunity Expansion Zone and Keystone Opportunity Improvement Zone Act defining "unoccupied parcel"; providing for extensions for unoccupied parcels, for fifteen additional keystone opportunity expansion zones, for substitution of parcels outside a subzone and for payments; prohibiting illegal alien labor in zones; and further providing for sales and use tax by exempting sales of services or tangible personal property to a construction contractor with a construction contract with a qualified business, landowner or lessee; providing for corporate net income tax and for local earned income net profits taxes, local sales and use tax and business privilege taxes. The department may approve an application to extend the exemptions, deductions, abatements and credits for a parcel in a keystone opportunity zone, keystone opportunity expansion zone or keystone opportunity improvement zone that is an unoccupied parcel, for a period of seven years from the expiration date of the zone or for a period of ten years from the date of occupancy, provided that the parcel is occupied on or before December 31, 2015. A political subdivision or its designee may apply for an expansion to add up to 15 acres of deteriorated property to an existing keystone opportunity expansion zone, keystone opportunity improvement zone or a subzone of a keystone opportunity zone for parcels that are contiguous to the existing zone or subzone.

Set on House Calendar, laid on the table, read second time, 7/2/2008

Set on the House Calendar, laid on the table, read third time, House passed (201-1), received as amended in Senate and rereferred to Senate Rules and Executive Nomination, voted out of Senate Rules and Executive Nomination, re-reported on concurrence as committed, set on the table, Senate concurred House amendments (49-1), Signed in the Senate, 7/3/2008

Signed in the House, 7/4/2008.

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

<http://www.legis.state.pa.us/WU01/LI/BI/billroom.htm>.