



Summary of Legislation February 8, 2018

Gov. Wolf Proposes \$33 Billion Budget That Prioritizes Education Funding And Workforce Development

On February 6, while many ears around the capitol were still ringing from the Eagles' Super Bowl victory celebrations, **Gov. Tom Wolf** gave his annual budget address, the last of his current term, proposing a ringing in at \$33 billion spending plan that again prioritizes education funding and workforce development initiatives while also again calling for a severance tax, agency consolidations, and other revenue and cost savings initiatives. Unlike previous proposals, this election-year budget proposal includes no broad-based personal income or sales and use tax increases. The proposal is approximately \$600 million more than the governor's proposed budget for FY 2017-2018 and over \$900 million more than the \$32 billion spending plan that was later enacted.

As he has in all four of his budget requests, the governor is asking for a natural gas severance tax to help balance the budget. The proposed tax is a volumetric based tax that increases based on the price of gas, similar to that contained in Rep. Gene DiGirolamo's HB 1401, which came tantalizingly close to passage in the House in 2017. The legislation currently under contentious consideration in the House of Representatives that is expected to bring in between \$150 million and \$200 million in annual full-year collections—the governor's proposal doubles the tax rates in the House bill and is estimated to bring in around \$250 million for the FY 2018-2019 budget.

In terms of agency consolidation, something the Republican legislature refused to enact during last year's budget cycle, the governor is still seeking to consolidate the Department of Health and the Department of Human Services into one agency. Last year's proposal also included the Departments of Aging and Drug and Alcohol Programs in the consolidation, but pushback from interest groups with a stake in maintaining the autonomy and separate funding streams of those agencies delayed action, and resulted in a more modest proposal this time.

Wolf is also seeking to formalize the internal consolidation between the Department of Corrections and the Board of Probation and Parole into one Department of Criminal Justice, and funding is proposed accordingly. This proposal was also met with resistance in the House. According to the governor's office, the formal mergers will make collaboration more effective, enhance service delivery, and eliminate duplicative expenditures for redundant tasks. They are not strictly budget issues, as the focus is on efficiency, rather than savings.

"Because we've begun to take a new approach to our budget, I can come before you today with a budget that makes the investments we need to continue our progress without any tax increases on Pennsylvania families," the governor said during his address.

The primary increases are in the areas of education spending and workforce development. Wolf has called for an additional \$225 million in education investment, including another \$100 million in basic education funding. The budget proposal also calls for \$20 million more in special education funding, \$30 million for Pre-K Counts, \$10 million for Head Start, \$10 million for career and technical education, and \$15 million for investment in the State System of Higher Education. Additionally, the governor is hoping for \$40 million for the PAsmart program that is aimed at developing current-day needed job skills that meet 21st century careers.

Workforce development initiatives put forward by the governor include providing another \$5 million in investment for the **PA first** workforce development tool and **\$12 million for funding Manufacturing PA** to support the Pennsylvania Manufacturing Training-to-Career Grant Program, the Manufacturing Innovation Program, and Pennsylvania's Industrial Resource Centers.

"Developing a workforce that can compete and win in the 21st-century economy is the single best way to help Pennsylvania businesses grow – and attract new businesses to our Commonwealth," he stated.

The governor is also proposing increasing the minimum wage to \$12 per hour from the current \$7.25 per hour, which he says would not only provide needed state revenue, but also reduce entitlement costs in the Department of Human Services by \$101 million annually with federal savings of \$600 million annually.

In addition, the governor said he is seeking a \$25 million state investment, with \$5 million in federal matching funds, to expand access to high quality child care and hopes to work with the General Assembly to align state workplace standards with today's workforce and social realities by seeking pay equity, guaranteed earned sick leave, and sexual misconduct victim protections.

Other main budget highlights include a commitment to a full-funding of the state's **annual pension obligation**, increasing funding for services for Pennsylvanians with intellectual disabilities, and investing in the new positions within the Department of Environmental Protection to prioritize protecting the environment while **reforming the department's permitting processes**.

The governor is also calling for the implementation of full **combined reporting** with the revenue dedicated to offsetting the costs of reducing the corporate net income tax from its current rate of 9.99 percent to a more regionally-competitive level of 7.99 percent by 2023.

Overall, Gov. Wolf struck a positive tone for Pennsylvania's outlook in addressing the joint session of the Pennsylvania General Assembly.

"[T]he Pennsylvania we all are so proud of – the place where you could work hard and earn a good living, raise your family in a strong community, watch your kids find opportunity of their own – it wasn't magically bestowed upon us. It was built, by generations of people who did hard things, together," he said.

"Now it's our turn. It's our turn to make the tough decisions with courage and conviction. It's our turn to invest in new technologies, inspire new discoveries, and incubate new industries. It's our turn to build a stronger and fairer economy; healthier and safer communities; and new opportunities for the next generation. It's our turn to finish writing the next chapter in the story of this great Commonwealth."

The state's fiscal year ends on June 30, 2018. Legislative leaders mostly spoke hopefully of the prospects for an on-time, or even early, passage of the budget this year, a feat not accomplished fully in more than a decade. More details of the proposal can be found on the Governor's Budget office website: <http://www.budget.pa.gov/Pages/default.aspx>

[CLICK HERE](#) to read Republican legislative leadership reaction to the governor's budget address.

[CLICK HERE](#) to read Democratic legislative leadership reaction to the governor's budget address.

Davis Wins Special Election

Democrat Austin Davis won a special election this month in the 35th House District. Davis succeeds former state **Rep. Marc Gergely, D-Allegheny**, who resigned in November after pleading guilty to two misdemeanor charges related to his role in an illegal gambling ring. Davis easily defeated Republican Fawn Walker-Montgomery, garnering 73 percent of the votes. Davis has served as vice chairman of the Allegheny County Democratic Committee and assistant to **County Executive Rich Fitzgerald**. Davis has said that jobs and infrastructure are his two top priorities in his new role as a state legislator. He will be sworn in in February.

Governor Wolf, DEP Taking Action to Reduce Backlogs, Improve Oversight, and Modernize Permit Process

Governor Tom Wolf and Department of Environmental Protection (DEP) Secretary Patrick McDonnell held a press conference **January 26** to announce the administration's plan to "reduce permit backlogs, modernize permitting

processes, and better utilize technology to improve both oversight and efficiency”. The Governor said this program action is a result of a yearlong effort to identify and implement strategies that will help DEP meet the goals of the **Permit Decision Guarantee**, “while continuing to issue strong permits with strict environmental protections”. Governor Wolf also announced the administration will bolster DEP staffing, which has been deeply eroded in past budget cuts, to boost these efforts.

“Working with Sec. McDonnell, I tasked DEP with looking at ways to reduce backlogs and wait times responsibly, so that we could meet the ambitious goals of the Permit Decision Guarantee, while providing even stronger environmental protections for our citizens,” said Governor Wolf. “Secretary McDonnell and his team have implemented a number of changes and the results have been remarkable.”

To capitalize on the success to date, DEP will continue to implement new approaches to its permitting processes by simplifying bureaucratic and outdated procedures, while continuing its mission of protecting the environment. New initiatives include:

- Expanding the e-permitting system to include several key development permits, reducing the time spent trading paper between DEP and industry;
- Creating a new analytics program that helps managers track progress on open permit applications – allowing them to know how long permits have been in the system;
- Releasing new review processes and registration practices for key development permits for clarification on what is needed to complete an application and make it easier to apply for these permits; and
- Supporting common sense legislation that will bring the permit process in line with the industry it is engaged with, such as extending permit terms and allowing multi-well pad permitting.

“Governor Wolf has made a strong commitment to strengthening the DEP and helping us rebuild after a decade of cuts that led to bigger backlogs and longer wait times,” said DEP Secretary Patrick McDonnell. “By investing in additional staff for the department across all programs, Governor Wolf is helping us better protect the environment of our commonwealth and more efficiently process permit applications on their merit in a timely manner.”

“The initiatives implemented at DEP will undoubtedly have positive impacts for Pennsylvania’s economy, while demonstrating that the economy and environment don’t have to be at odds,” said Department of Community and Economic Development Secretary Dennis Davin. “From an economic development perspective, these efforts will strengthen communities by empowering businesses, which creates jobs and grows local economies across the commonwealth.”

Following a comprehensive review across programs, DEP implemented several new initiatives to streamline processes and modernize practices, including an innovative new permit review approach to shrink review timelines of the Erosion and Sediment Control General Permit (ESCGP), a key development permit, to under 100 days while reducing backlogs for well permits in the southwest region. Since implementing the new approach, DEP’s Southwest District Office reduced its permit review timeline for the ESCGP by over 220 days, and has cut its permit backlog in half.

Since the summer of 2017, the department has reduced the overall permit backlog by more than 6,000 permits. Additional efficiencies implemented include:

- Rotating pending permits to regions with the capacity to review additional applications;
- Reallocating positions within the Office of Oil and Gas Management to equalize the permit review workload and improve permit review consistency;
- Providing updated technical guidance documents and improved permit application forms and instructions to clarify regulatory requirements to permit applicants and facilitate the submission of adequate permit applications; and
- Targeting new hires in key permit review areas.

To continue to provide high-quality, responsive oversight, the governor will allocate \$2.5 million in the 2018-19 budget for additional staffing at DEP. This investment will allow the department to hire new employees in high priority positions across programs and regional offices and will help the department fulfill its mission to protect the natural resources of the commonwealth. For a more detailed overview of DEP's Permit Reforms visit:

http://files.dep.state.pa.us/LicensingPermitsCertification/PermitDecisionGuaranteePortalFiles/Permitting_Reform_01262018.pdf

State Supreme Court Orders General Assembly Back to the Drawing Board for Congressional Districts

That's the order that the state Supreme Court gave to the General Assembly regarding Pennsylvania's congressional map. In a 4-3 decision, the court ruled the current map unconstitutional – adding a new level of upheaval to what already was promising to be an intense Congressional election year in the Keystone state. The court gave the House and Senate until February 9 to get a new map to Gov. Tom Wolf for his approval. The governor then has until February 15 to submit the final plan to the Supreme Court. According to [PoliticsPA](#), if these deadlines aren't met “the maps will be drawn by the court after hearing from all parties in the current case.” The court also said that the Department of State may adjust the deadlines for petitions (currently scheduled to go from February 13 – March 6), in order to ensure the new maps are ready for the May Primary Election. Not surprisingly, legislative GOP leaders did not take kindly to the court's ruling. Yesterday, Senate President Pro Tempore Joe Scarnati, R-Jefferson, and Speaker of the House Mike Turzai, R-Allegheny, filed an emergency application with the U.S. Supreme Court hoping to block the state court's decision. With a number of open congressional seats in this year's election, this issue is sure to be the No. 1 topic of conversation among PA politicians...

Meehan, Brady Out

Not that Brady. **Congressman Bob Brady (1-D)** announced January 31 that he would not seek re-election to a 12th term in the US House of Representatives. Brady, who had struggled with legal accusations over the past year, stated that he believed he could have won handily, based on polling, but it was time for someone else to take over.

In the suburbs, a month's worth of negative press surrounding **Cong. Pat Meehan, R-Delaware**, was capped off with his announcement that he will not be running for re-election, and already nearly a dozen candidates have announced interest in running.

Pennsylvania will now have five open Congressional seats in the upcoming election – a fact that is not lost on both political parties who are looking for any opportunity to swing control of the U.S. House to their side.

Legislation Shrinking the Legislature Advances

Earlier this week, bills to reduce the number of elected officials in both the House and Senate passed out of the House State Government Committee by votes of 14-10. The respective bills would reduce the House from its current size of 203 to 151 and the Senate from 50 to 38. Pennsylvania, notably, has the second-largest, full-time legislature in the country. While government reformers have championed these proposals as a way to cut costs, opponents worry that it would result in legislative districts that have too large of a geographical land mass to effectively represent on the state level. There are still major hurdles to climb before these proposals would become the law of the land. In order to change the state constitution, the same legislation must pass during two consecutive sessions before being presented to the voters as a ballot referendum.

Governor Issues Executive Order RE: Team PA Foundation

Gov. Wolf affirmed and celebrated the economic development partnership between the commonwealth and the Team Pennsylvania Foundation, in an executive order published in the January 13, 2018 PA Bulletin. To view the announcement, click here: <https://www.pabulletin.com/secure/data/vol48/48-2/45.html>

Legislative Activity

The following bills of interest to PEDA were acted on by the General Assembly this past month.

Budget Related Bills

[HB 2017](#) RE: [Legislation: To Reverse the Revenue Corporate Tax Bulletin 2017-02](#) (by Rep. Frank Ryan, et al)
Amends the Tax Reform Code, in corporate net income tax, further providing for the definition of "taxable income" relating to deduction for appreciation. The stated intent of the bill is to reverse the provisions of Bulletin 2017-02.

Introduced and referred to House Finance Committee, 1/22-18

Reported as amended from House Finance Committee, read first time, and laid on the table, 2/6/2018

KOZ/CRIZ/Tax Credits

[SB 234](#) RE: Property Assessed Clean Energy Programs (by Sen. John Blake, et al)

Amends Title 12 (Commerce and Trade) adding a chapter authorizing counties or municipalities to create property assessed clean energy programs, which authorize assessments for energy improvements in districts designated by municipalities. Before a real property can establish an assessment under the program and begin local financing or owner financing of a qualified project, the following shall occur: (1) Any financial institution holding a lien, mortgage or security interest in or other encumbrance of the real property that secures a current, future or contingent payment obligation must be given written notice of the real property owner's intention to participate in the program and acknowledge in writing to the property owner and municipality or county that established the program that they have received such notice; and (2) Any financial institution required to be given notice must provide written consent to the property owner and municipality or county that established the program that the property may participate in the program. Reviews and public notice are required. An assessment and any interest or penalties on the assessment is a first and prior lien on the real property and has the same priority status as a lien for any other tax.

Reported as amended from Senate Appropriations Committee, 1/29/2018

Read third time, and passed Senate, 1/30/2018 (42-8)

Received in the House and referred to House Commerce 2/1/2018

[SB 799](#) RE: Pennsylvania Clean Water Procurement Program Act (By Sen. Rich Alloway, et al)

Establishes the Pennsylvania Clean Water Procurement Program to provide for the purchase of verified TMDL nutrient credits from certified nutrient credit generators through a competitive bidding process consistent with 62 Pa.C.S. Pt. I (relating to Commonwealth Procurement Code) and any other competitive process determined to be appropriate by the Department of Environmental Protection and the State Conservation Commission; provides for powers and duties of the State Conservation Commission; and establishes the Watershed Improvement Fund. The department shall transfer the nutrient reduction mandates of a permittee to a competitive bidding program to enable all certified nutrient credit entities that can generate verified TMDL nutrient credits to participate in an RFP on a voluntary basis. In return for being absolved from the TMDL nutrient reduction mandate, the aggregate number of permittees may pay into the program \$50,000,000 annually for 10 years, subject to annual adjustment. Transfer payments shall be paid into the Watershed Improvement Fund, to be used by the commission for the purchase of verified TMDL nutrient credits. Winning bids will offer 20 percent of total nutrient reduction allotment to be available for participation for 30 days by small sources that did not participate in the bidding process so that a small producer who installs a BMP can subscribe to sell their credits into this pool and receive the winning bid price absent the need to participate in the bidding process.

Amended on Senate floor, 1/30/2018

Read third time, and passed Senate, 1/31/2018 (47-2)

Received in the House and referred to House Environmental Resources and Energy Committee, 2/1/2018

Partnerships/Liability

NONE

Local/State Government Regulations

[HB 1237](#) RE: IRRC Consideration of "Economically Significant Regulations" (by Rep. Dawn Keefer, et al)

Amends the Regulatory Review Act adding language providing if the Independent Regulatory Review Commission issues an order to approve a final-form regulation or final-omitted regulation that is an economically significant

regulation or if the agency decides to proceed with a regulation the commission disapproved, the agency shall submit a copy of the order and, if applicable, the agency response to the Senate and the House and shall request a concurrent resolution approving the order. Provides the House and the Senate shall each have 30 calendar days or ten legislative days, whichever is longer. If the General Assembly does not adopt the concurrent resolution in the time prescribed, the regulation shall be deemed not approved and the regulation shall not take effect. An economically significant regulation is defined as a regulation that, if implemented, may reasonably be expected to result in the direct or indirect cost to the Commonwealth, its political subdivisions and to the private sector in excess of \$1 million on an annual basis.

Reported as amended from House State Government Committee, read first time, and laid on the table, 2/6/2018

[HB 1959](#) RE: Permit Administration Act (by Rep. Greg Rothman, et al)

Provides for the administration of permits by state agencies, for a tracking system for permit applications, for the establishment of permit programs and for annual reports. The bill requires state agencies to establish, maintain and make available a secure tracking system for applicants to track the status of applications on their websites.

Passed over in House State Government Committee, 2/6/2018

[HB 1960](#) RE: State Agency Regulatory Compliance Officer Act (by Rep. Brian Ellis, et al)

Requires each state agency to designate an employee as the agency's regulatory compliance officer. Provides for the powers and duties of the regulatory compliance officer. Requires each agency to submit an annual report to the General Assembly detailing the progress made by each agency and the regulatory compliance officer in the preceding calendar year towards compliance with this act.

Reported as committed from House State Government Committee, read first time, and laid on the table, 2/6/2018

[SB 977](#) RE: Regulatory Review Process (by Sen. John Gordner, et al)

Amends the Regulatory Review Act further providing for definitions, for proposed regulations and procedures for review, for final-form regulations and final-omitted regulations and procedures for review and for procedures for subsequent review of disapproved final-form or final-omitted regulations. The bill specifies that proposed regulations shall be submitted to committee chairpersons (instead of simply the committees) and requires the chairpersons to distribute the information regarding regulations to members within five business days of receipt. Further, a committee member making a comment, recommendation or objection to the proposed regulation shall also submit the comments to each committee chairperson. The majority committee chairperson may convene a committee meeting to adopt any comment, recommendation or objection to the proposed regulations or may conduct an informational hearing on the proposed regulations. The **majority committee chairperson shall conduct an informational hearing if petitioned to do so** by a majority of the committee members. At any time prior to 24 hours before the commission's meeting to consider a final regulation, a committee chairperson, as authorized by a majority of the committee's members, may provide notice that the committee disapproves or intends to further review the final-form regulation. If so notified, the commission may not approve or disapprove the regulation for 30 days or until the commission's next scheduled meeting, whichever is longer. If the commission approves a regulation and a committee has notified the commission and the agency that it has disapproved the regulation or that it intends to review the regulation, the agency may not promulgate the regulation for 14 days or six legislative days, whichever is longer.

Reported as amended from Senate Rules and Executive Nominations Committee, and read first time, 1/22/2018

Read second time, 1/23/2018, 1/24/2018 (29-21)

Local/Property Taxes

[HR 291](#) RE: Earned Income Tax Collection (by Rep. Michael Peifer, et al)

A Resolution directing the Department of Community and Economic Development, in consultation with the Department of Revenue and the Independent Fiscal Office, to commence a study to investigate the feasibility and potential cost savings associated with the replacement of local earned income tax collection methods by local taxing committees with a statewide collection method domiciled in the Department of Revenue.

Reported as amended from House Finance Committee, 2/6/2018

Minimum Wage

[HB 2043](#) RE: Minimum Wage (by Rep. Curtis Thomas, et al)

Amends the Minimum Wage Act further providing for definitions and for minimum wages; providing for tipped employees; further providing for minimum wage advisory board and for enforcement and rules and regulations; providing for rules and regulations; and further providing for civil actions and for preemption. The minimum wage is increased to \$15 per hour beginning in 2019, to be annually adjusted. Tipped wages must be at least \$4.50 per hour, to be annually adjusted. If a gratuity is added to a tipped wage, the gratuity shall become the property of the tipped employee and shall not be used by the employer to satisfy the requirement to pay the wage then in effect.

Introduced and referred to House Labor and Industry Committee, 1/30/2018

Permitting

[SB 1027](#) RE: Pipeline Operators (by Sen. John Rafferty, et al)

Amends the Gas and Hazardous Liquids Pipeline Act making an editorial change and providing for duties of the Department of Environmental Protection and of pipeline operators. The bill establishes that an entity shall provide notification to each resident, municipality and other applicable party affected by the drilling of a pipeline at least five days prior to the initiation of a project.

Introduced and referred to Senate Environmental Resources and Energy Committee, 1/26/2018

[SR 226](#) RE: Environmental Permitting Programs (by Sen. John Yudichak, et al)

A Resolution directing the Legislative Budget and Finance Committee to conduct an independent performance evaluation of certain Statewide environmental permitting programs administered by the Department of Environmental Protection.

Reported as committed from Senate Environmental Resources and Energy Committee, 1/30/2018

Adopted by voice vote, 2/6/2018

Procurement

NONE

Sales/Use Taxes

NONE

Workforce Development

NONE

Upcoming Meetings of Interest

Some House Committee meetings and session can be viewed online at: <http://www.pahousegop.com/>

Senate Committee meetings and session can be streamed at: <http://www.pasenategop.com/>

TUESDAY - 2/20/18

House Appropriations Committee

10:00 a.m., Room 140 Main Capitol

Budget Hearing - Independent Fiscal Office/Economic & Revenue Outlook

House Finance Committee, Subcommittee on Tax Modernization & Reform

3:00 p.m., Room B31, Main Capitol

Public hearing on analysis of personal income tax in PA for businesses and taxpayers

WEDNESDAY - 2/21/18

House Appropriations Committee

10:00 a.m., Room 140 Main Capitol

Budget Hearing - Job Creation in Pennsylvania (Department of Labor & Industry, Department of Community & Economic Development, Pennsylvania Higher Education Assistance Agency)

House Appropriations Committee

1:00 p.m., Room 140 Main Capitol

Budget Hearing - Ensuring Stability of the Pennsylvania State System of Higher Education with a Focus on Workforce Development in the Commonwealth

House Transportation Committee

1:00 p.m., Bloomsburg University of PA, Greenly Center, 50 East Main St., Bloomsburg

Public hearing on the gaps that exist in a rural area regarding transportation

MONDAY - 3/5/18

Senate Appropriations Committee

3:00 p.m., Hearing Room 1, North Office Building

Budget Hearing - Department of Community & Economic Development

2018 SENATE SESSION SCHEDULE

Break for Budget Hearings

March 19, 20, 21, 26, 27, 28

April 16, 17, 18, 23, 24, 25, 30

May 1, 2, 21, 22, 23

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

2018 HOUSE SESSION SCHEDULE

Break for Budget Hearings

March 12, 13, 14

April 9, 10, 11, 16, 17, 18, 30

May 1, 2, 22, 23

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

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

<http://www.legis.state.pa.us/cfdocs/legis/home/session.cfm>