Week of July 10, 2017

**HEADLINES**

**Legislature leaves town with revenue package unfinished**

The state General Assembly left Harrisburg Tuesday evening with little hope of returning in the next several days to send a funding package to Gov. Tom Wolf to balance out the $31.99 billion spending plan that he allowed to lapse into law Monday night. The House was the first to blink Tuesday where, after sending a controversial Human Services code bill to the Senate for concurrence and upon hearing the Senate was not going to vote on a Fiscal Code bill needed for budget implementation, the chamber decided to leave and put their members on six-hour call should a revenue deal be reached. As they left, House Majority Leader Dave Reed (R-Indiana) told reporters that—while he remains optimistic a global deal on a $2.2 billion revenue package can be reached expeditiously—the differences between Republican leadership and the governor’s office remain intractable. On the flip side, Governor Wolf stated on Wednesday that he remains optimistic that they would get the budget done; however, he remained tightlipped on the details.

**SEVERANCE TAX AS BUDGET REVENUE OPTION?**

Governor Wolf renewed his push for a severance tax as a way to create recurring revenue during budget negotiations with the House and Senate. Representative Reed, in his budget remarks on Tuesday, added that he does not feel a severance tax is an appropriate revenue means given the current state of the industry, but if supporters of a severance tax want to see it enacted, they should become more serious in the efforts. Not all Republicans—particularly those in the House—have been so reluctant on the issue of a natural gas severance tax. On Tuesday, Rep. Kate Harper (R-Montgomery), a Republican lawmaker who has introduced a severance tax proposal, sent a letter to House leadership encouraging her legislation be considered by the House Environmental Resources and Energy Committee. Senate sources within the Republican caucus have repeatedly said that a severance tax would have difficulty getting majority support from within the caucus that has a general rule about not bringing up proposals without majority support from the majority caucus.

**House Approves Mako Bill to Make Military Family Relief Program Check-Off Permanent**

The House passed legislation authored by Rep. Zach Mako (R-Lehigh/Northampton) to extend the Military Family Relief Program check-off box on state tax forms permanently. House Bill 984 would make the tax check-off permanent. The Military Family Relief Program provides financial assistance to armed forces personnel and their families, including the National Guard and Reserves. Assistance available under the program is offered during active duty status. The program is funded by the tax check-off and was first initiated in 2005. It has been extended three times since then. Currently, the program is set to expire on Jan. 1, 2018. The bill now goes to the Senate for consideration.

**Potential legislation reforming the sales and use tax**

Representative Russ Diamond introduced co-sponsorship memorandum for a package of legislation to reform Pennsylvania’s Sales and Use Tax (SUT). The prime sponsor stated in his memo that this effort is aimed at simplifying the system, making Pennsylvania more competitive with surrounding states and reducing retailer confusion. The legislation would remove all exceptions and exclusions to the SUT, reduce the statewide SUT rate from 6 percent to 1.9 percent, reduce Philadelphia’s total additional SUT rate from 2 percent to 0.64 percent, reduce Allegheny County’s local SUT from 1 percent to 0.32 percent, and reduce the PTAF and PTTF sales tax revenue transfer rates from 0.947 percent to 0.30 percent, and from 4.4 percent to 1.42 percent, respectively.

**Property tax measure heading to Pennsylvania referendum**

Pennsylvania voters will have the chance to decide whether to amend the state constitution in what lawmakers call an effort to allow more significant residential property tax reductions. The Senate voted 46-2 on Tuesday, clearing the way for the question to appear on the November statewide ballot. The bill also passed the House, as well as both chambers in the last two-year session of the Legislature. Under the referendum question, voters can amend the constitution to allow counties, municipalities and school districts to exclude up to 100 percent of the median assessed value of homestead property from taxation. Currently, local governments can exclude up to 50 percent. That was approved by voters in 1997.

**Auditor General DePasquale Says Multi-Agency Attack on Opioid Epidemic Shows Progress; Audit Outlines Path Toward Greater Success**

Auditor General Eugene DePasquale Thursday said audits of the three agencies (the Department of Drug and Alcohol Programs, the Department of Human Services and the Department of Corrections) that are at the forefront of Pennsylvania’s opioid crisis response show that progress is being made, but measuring effectiveness is complicated because each agency has a different definition of effectiveness. The audit objective was the same for each agency: to determine the extent to which the departments are monitoring and measuring the effectiveness of opioid-related drug treatment initiatives. The audits covered January 2013 through April 2017, and the 94-page audit report contains six findings and 21 recommendations for improvement. For the Department of Drug and Alcohol Programs (DDAP), as well as DHS, he found that they needed to collect more data to ensure their programs are effective. He stated DDAP should also be levying fines for non-compliance with regulations and charging licensing fees to generate revenue for their department. Moving forward, he stated the departments have expressed their willingness to comply with his recommendations.

**Partial-amnesty program kicks off a month before new law takes effect**

The PA Turnpike Commission (PTC) is warning 10,611 PA Turnpike motorists with overdue toll violations and invoices that they could risk having their motor-vehicle registrations suspended if they don’t make good on their debt. The PTC today unveiled a partial amnesty program to encourage its top toll scofflaws — motorists who together racked up invoices and violations worth $17.1 million — to pay now before the law kicks in on Aug. 4. The 10,611 Turnpike motorists with six or more outstanding toll invoices or violations — or unpaid tolls and fees totaling $500 or more — are at risk of suspension when the law, **known as Act 165 of 2016,** takes effect next month. Until then, motorists who pay now can have additional fees waived through the PA Turnpike’s partial-amnesty program. **Act 165, enacted last fall, provides stronger enforcement tools to all tolling agencies in the Commonwealth to ensure motorists who use a toll road or bridge pay what’s owed.**

**Pittsburgh Councilman calling on Wolf administration to help new homeowners pay off student debt**

A Pittsburgh City Councilman is calling on the Wolf administration to help aid in a program that would help new homeowners pay off a portion of their student loan debt. In a Will of Council passed by members Tuesday morning, Councilman Corey O’Connor (District 5) laid out a proposal calling on the state to develop and administer a program where the Commonwealth would repay a portion of an individual’s outstanding federal student loan debt when they finance a home through the Pennsylvania Housing Finance Agency. The idea is to provide an incentive for younger generations to buy a home and invest in a city or community across the state where they could be a stronger participant in the local tax base and economy. To qualify, a homebuyer would need to have at least $1,000 in federal or state student debt and would need to have a mortgage from a public institution. As soon as the buyer purchases the home, student loan payments would cease and mortgage payments would begin. Over time, the program would waive student loan debt up to 15 percent of the cost of the house.

**Governor Wolf Will Sign Compromise Office of State Inspector General Bill**

Governor Tom Wolf announced Tuesday that he will sign Senate Bill 527, sponsored by Senator Ryan Aument. The bill codifies the Office of State Inspector General in statute and sets forth the office’s powers and duties. In addition to granting subpoena power to the office for its internal investigations, the bill allows the IG to investigate and file criminal charges for certain welfare fraud crimes.  Under the new law, the State Inspector General will be appointed by the governor to serve concurrent with the governor’s term in office unless removed. A State Inspector General may not seek election to a political office while serving.

**PASSHE has answer to closing budget gap: Raise tuition**

Students attending universities in the Pennsylvania System of Higher Education may want to consider applying for extra grants and scholarships this year. The PASSHE Finance, Administration, and Facilities Committee met Wednesday and passed a motion to raise tuition rates in the state school system by 3.5 percent for the current fiscal year. Despite an $8.9 million increase in funds from last year's state budget, there remains a $71.7 million budget shortfall for the school system, creating an ultimatum between raising tuition and cutting costs. The current in-state tuition is $7,238 annually for a full time student. With a 3.5 percent increase, this would raise it to approximately $7,491. According to the committee, a 7.5 percent tuition increase would be required to fill the entire budget gap, raising the cost up to $7,781.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2017 SENATE SESSION SCHEDULE**

TBA

**2017 HOUSE SESSION SCHEDULE**

TBA

**DEPARTMENT OF REVENUE UPDATE**

None

**IRRC UPDATES**

None