Week of July 25, 2016

**HEADLINES**

**AUDITOR GENERAL WILL INVESTIGATE PA’S STATE PENSION SYSTEM**

This week, Auditor General Eugene DePasquale announced his intentions to simultaneously conduct performance audits of the state’s two largest employee pension plans. The announcement comes on the heels of a federal investigation launched to investigate fees paid to outside firms that invest billions of taxpayer dollars. While DePasquale stated that the charges against ex-state Treasurer Barbara Hafer and Richard Ireland, whose firm marketed the services of private investment managers and shared in the fees did not motivate the audit of the Public School Employees' Retirement System and the State Employees' Retirement System, he did mention that the fees paid to private investment managers will be closely scrutinized considering aren't remotely close to meeting their targets. The Public School Employees Retirement System (PSERS) and the Pennsylvania State Employees Retirement System (SERS) collectively manage $78 billion in assets for more than 854,000 state and school employees and retirees. According to DePasquale, the audit will focus on four key areas of the two systems, including: 1) Appropriate adherence to the Public Employee Pension Forfeiture Act and its regulations; 2) Adequate governing structures, decision making, expertise, and resources to provide effective oversight of investment operations; 3) Proper procurement and fees regarding external advisors and consultants; and 4) Diversity of both systems’ investment portfolios to determine prudent investment strategies. The PSERS audit will cover July 2013 through the end of the audit work, while the SERS audit will cover January 2013 through the end of the audit work. According to DePasquale, the scope and goal of both audits will be identical.

**MORE THAN $152.4 MILLION ANNOUNCED FOR BUSINESS DEVELOPMENT**

This week, Governor Wolf announced investments to support statewide economic development and infrastructure efforts through the Commonwealth Financing Authority, which approved 418 projects totaling $152.41 million in funding. The Commonwealth Financing Authority (CFA) was established in 2004 as an independent agency of the Department of Community and Economic Development (DCED) to administer Pennsylvania's economic stimulus packages. The CFA holds fiduciary responsibility over the funding of programs and investments in Pennsylvania's economic growth. According to Governor Wolf, "The projects approved through the Commonwealth Financing Authority are critical to the economic vitality of the state and these impactful investments will support significant community and economic improvements and spark revitalization in Pennsylvania's communities." For more information about the CFA, or a complete list of approved projects, visit [www.newpa.com/cfa](http://www.newpa.com/cfa).

**PA SMALL BUSINESS ADVANTAGE GRANT PROGRAM OPEN**

The Pennsylvania Department of Environmental Protection announced that it is accepting applications for the Commonwealth’s Small Business Advantage Grant Program, which awards small businesses that take up equipment or processes that bolster pollution prevention and/or energy efficient projects. The grant is designed to trigger a new level of awareness to protect the environment while helping the economy flourish and save small businesses money should awards be granted. According to the Department, grant money can be used for the implementation of recycling systems, HVAC upgrades, auxiliary units used in anti-idling technology for trucks, efficient lighting, and solvent recovery systems. The program provides small businesses with 50% matching reimbursement grants of up to $9500 for the implementation of pollution prevention or energy efficiency projects. Applications are available now through the DEP Small Business Ombudsman’s Office Site and will be accepted until FY 16-17 funds are used or April 14th, 2017, whichever arrives first.  For more information, visit: <http://www.elibrary.dep.state.pa.us/dsweb/Get/Document-107928/1020-BK-DEP4365.pdf>

**HEALTH INSURANCE RATES FOR 2017 DISCUSSED AT PUBLIC HEARING**

The Pennsylvania Department of Insurance held a public input hearing to receive testimony from both insurance providers and Pennsylvania consumers with regards to proposed insurance rate changes for 2017. Requests from health insurance companies to double rates for individual policies where opposed by consumer groups requesting the Department to deny the double-digit rate increases to protect consumers from excessive rates and discrimination. The requests before the Insurance Department include proposed average rate increases ranging from 17.2% for Aetna Health Inc., 25.4% to 48.1% for Highmark companies, 0.9% to 16.2% for UPMC companies, and 19.9% to 22.5% for Independence Blue Cross companies, according to the department. Five percent of Pennsylvania health insurance customers — more than 500,000 people — have coverage through individual plans, according to the Insurance Department. Regulators must approve rates before policies can be sold to consumers, ensuring that they are priced neither unfairly high nor too low to maintain a stable and competitive market. The Insurance Department is scheduled to announce its determinations in October, ahead of the Nov. 1 start of the open enrollment period.

**BIPARTISAN REVIEW OF PA DRUG EPIDEMIC UNDERWAY**

Last week, the Federal Drug Enforcement Agency (DEA) reported that drug deaths in Pennsylvania spiked nearly 25 percent in 2015, killing more people statewide than car crashes. By the agency’s count, 3,383 Pennsylvanians died in drug-related overdoses in 2015, an increase from 2,742 overdose deaths in Pennsylvania reported in 2014. Heroin or opioid painkillers were found in 81 percent of cases, the report said. Heroin itself was found in more than half of all cases and Fentanyl, a powerful painkiller, is the second most common drug detected. As a result, a bipartisan effort is underway in Pennsylvania to learn more about the drug epidemic and develop public policies to eliminate the ease of opioid prescriptions and advance treatment to those suffering from addiction. Specifically, the House Democratic and Republican Policy Committees announced a series of hearings scheduled for next to further investigate the epidemic in advance of a special session of the General Assembly that might be called this fall. The hearings are as follows:

MONDAY – 8/1/16

\*\*\*House Democratic & Republican Policy Committees (New)

10:00 a.m., UPMC Northwest, 100 Fairfield Drive, Seneca

TUESDAY – 8/2/16

\*\*\*House Democratic & Republican Policy Committees (New)

2:00 p.m., Allegheny County Council’s Gold Room, 4th Floor, 436 Grant Street, Pittsburgh

WEDNESDAY – 8/3/16

\*\*\*House Democratic & Republican Policy Committees (New)

10:00 a.m., Westmoreland County Community College Theater, 145 Pavilion Lane, Youngwood

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2016 SENATE SESSION SCHEDULE**

September       26, 27, 28

October           17, 18, 19, 24, 25, 26

November       16

**2016 HOUSE SESSION SCHEDULE**

August            9 (NV)

September       TBA

October           TBA

November       TBA

**DEPARTMENT OF REVENUE UPDATES**

**NORTHUMBERLAND COUNTY BUSINESS OWNER FINED FOR FAILURE TO PAY STATE TAXES**

This week, the Department of Revenue announced that a Northumberland County business owner was sentenced on July 18 to five years’ probation after pleading guilty to 74 state tax offenses. Albert Weston DeLong, Jr., the owner and operator of Enterline’s Flowers and Greenhouses in Milton, pled guilty to charges that he failed to remit sales tax collected from customers and state income taxes withheld from employees. These offenses arose from his failure to turn over $60,085.71 in collected sales tax and $5,293.56 in withheld state income taxes between March 2011 and November 2015. On July 18, 2016, Northumberland County Common Pleas Judge Hugh Jones sentenced DeLong to five years’ probation, and ordered him to pay the costs of prosecution and fines totaling $500. After charges had been filed, but prior to this hearing, DeLong paid $65,379.27, which represents the total amount of taxes owed to the state. The Department of Revenue’s Bureau of Criminal Tax Investigations developed the case against DeLong and referred it to the Office of Attorney General.  Senior Deputy Attorney General George R. Zaiser prosecuted the case on behalf of the state.

**IRRC UPDATES**

Executive Order 1996-1 requires all agencies under the jurisdiction of the Governor to submit an agenda to the Governor’s Office of General Counsel outlining all regulations under development or consideration. The agenda is likewise required to be published in the Pennsylvania Bulletin to provide members of the regulated community advanced notice of regulatory activity and to increase public participation in the regulatory process.  On July 9th, the Governor’s Office published the regulatory agendas for the Department of Revenue and the State Board of Accountancy.  The following regulatory actions are expected to be taken in accordance with the timelines prescribed below:

**Department of Revenue (DOR)**

1. Amendments to Local Option Small Games of Chance (SGOC):  61 Pa. Code Chapter 901a     February 2017, as Proposed. The Department is proposing to replace Chapter 901 with a new Chapter 901a as a result of the amendments to the SGOC law. The proposed rulemaking will reorganize and clarify the SGOC regulations as well as incorporate necessary changes to implement Acts 2 and 184 of 2012 and Acts 90 and 92 of 2013.
2. General Provisions: Application of Payments - 61 Pa. Code Chapter 5a   January 2017, as Proposed. The Department is promulgating this regulation to clarify the provisions of the Taxpayers' Bill of Rights and provide a procedure for the application of a payment received from a taxpayer to tax liability owed the Department.
3. Amendments to Chapter 93:  Inheritance Tax - 61 Pa. Code § 93.101 Sept. 2016, as Final. The Department is promulgating this amendment to remove an obsolete regulation § 93.101 Medical expenses and insurance, superseded by statute (72 P.S. § 9129(k)).
4. Amendments to Realty Transfer Tax (RTT) Regulations - 61 Pa. Code Chapter 91 January 2017, as Proposed.  Amendments to the RTT regulations are being proposed to improve the clarity and effectiveness of the regulations. Additionally, the proposed amendments will be consistent with Department policy and the language in the RTT statute.

**State Board of Accountancy**

1. General Revisions (Act 73 and Act 15 Amendment):  49 Pa. Code Chapter 11 (#16A-5513) Fall 2016, as Final. This final rulemaking implements the amendments to the CPA Law made by the act of July 9, 2008 (P.L. 954, No. 73) (Act 73), and the act of June 19, 2013 (P.L. 46, No. 15) (Act 15). Act 73 provided for practice in this Commonwealth under substantial equivalence by persons licensed in other states and provided new education and experience standards for licensure. Act 15 eliminated the requirement that applicants for licensure demonstrate 400 hours of experience in attest activity as a condition of licensure.
2. Schedule of Civil Penalties: 49 Pa. Code Chapter 43b (#16A-5514) Fall 2016, as Final. This final rule making amends the schedule of civil penalties for certain violations of the CPA Law (63 P.S. §§ 9.1—9.16b) and the regulations of the State Board of Accountancy (Board) to comport with amendments made by the Board to its substantive regulations relating to continuing education violations.