



FY2015-16 Budget Hearing Recap Tuesday, March 10, 2015

Auditor General

Testifying: Auditor General Eugene DePasquale

In Governor Wolf's proposal the office of Auditor General is proposed to receive a \$4.2 million increase or 9.4%. This is in line with the Auditor General's budgetary request.

One of the major focuses of this hearing was municipal pension funding and problems facing the two state pension systems.

Auditor General DePasquale expressed support for hybrid pension systems. He would favor a certain dollar amount being in the current defined-benefit system and the rest being in a defined-contribution system.

The Auditor General stated that there is a possibility that a Pennsylvania system could face a "Detroit-like" bankruptcy if no statewide fix is found.

The Auditor General talked about the need to conduct "job audits" of companies who receive state support through DCED. He believes this will hold companies accountable to the taxpayer about the number of jobs they create.

While many companies who receive grants or other awards for job creation do in fact create jobs, the Auditor General found that 46% of grant recipients sampled did not create the number of jobs they indicated they would create.

When the Auditor General took office there was a backlog of 1,500 audits. That backlog has been eliminated.

Last session the General Assembly passed a resolution being offered by Rep Angel Cruz requesting the Auditor General to do a forensic audit of the Philadelphia School District. The Auditor General's Office has not done that audit because the Auditor General believes they do not have the expertise to carry it out.

Treasury Department

Testifying: Executive Deputy Treasurer Christopher Craig; Cynthia Cranmer, Chief of Staff; Keith Welks, Deputy State Treasurer for Fiscal Operations/Senior Advisor for Policy

For FY 2015-16, Governor Wolf is proposing to decrease Treasury's operating line item by \$1.2 million. This is a 3.4% reduction.

For the GO Debt Service line item the Governor is expecting a needed increase of \$60.5 million which is a 5.5% increase.

The Law Enforcement Officer Death Benefits line item is proposed to be level funded.

When questioned about Pennsylvania's bond rating the Executive Deputy stated there are many reasons that Pennsylvania's current rating is on the low end of quality ratings. The Commonwealth's unfunded pension liability weighs heavily against the bond ratings.

Treasury is also looking to shift investments to more passive investments. The goal is to reduce investment costs and fees. They still believe there is a role for some active investment to take advantage of "opportunity investments."

The college savings 529 Fund is currently funded at 110%.

For the FY 2014-15 General Fund budget, the General Assembly changed the unclaimed property holding period from five years to three years. The certified revenue estimate from the Office of the Budget expected this change to bring in an additional \$150 million in escheats revenue. Currently, Treasury not only expects to meet that revenue estimate but to most likely double it. The holdings are due to Treasury in April.

Attorney General

Testifying: Attorney General Kathleen Kane

The Governor's FY 2015-16 General Fund budget proposals has an increase of \$3.2 million or 3.5%.

The Attorney General requested an increase of \$5.3 million or 5.7%. The increase is primarily driven by the desire to fill 20 vacancies using the General Operating Line. 18 of those

vacancies are for Medical Fraud Control agents. If the Governor's proposal is approved not all of those vacancies will be filled.

The Governor's proposal is also asking for a 3.5% increase for Drug Law Enforcement which will allow the Attorney General to fund 28 vacant narcotics investigators.

There was a lot of discussion about heroin in Pennsylvania and the Attorney General's Office response to the epidemic.

The Mobile Streets Crime Unit was reported by many members to have a meaningful impact in communities it has been deployed to.

The Attorney General stated that no state appropriated funds are being used for her defense against the legal investigations she is facing.

The Attorney General's Office will continue to seek the death penalty when warranted despite the Governor's moratorium.

Department of Agriculture

Testifying: Acting Secretary Russell Redding

The Governor's budget proposal for FY 2015-16 will increase the Department of Agriculture by \$2.6 million or 2%.

The Governor is seeking to eliminate seven line items such as Ag Research, Hardwoods Research, Ag Promotion, Livestock Show, Open Dairy Show, and Food Marketing & Research. Many members expressed disappointment at the gamesmanship being displayed by the Governor despite his calls for a new approach and dialogue. Members also noted these line items did not cost Pennsylvania much but they had huge impacts in rural Pennsylvania.

The Secretary was asked what was needed to allow cattle and other livestock to be shipped from the Port of Philadelphia. He explained there was various infrastructure needs and now was the time to partner with the private sector to make it happen.

The State Food Purchase Program is proposed to receive an increase of \$2.9 million or 16.6%.

Members questioned the Secretary about why the Ag College Land Scrip Fund (Penn State Ag Research and Extension) was being level funded despite funding for Penn State being increased by \$50.85 million.

The Secretary was also questioned about what the sales tax base expansion would mean for agriculture which is the number one industry in Pennsylvania. He was asked whether the sale of horses would be taxed or agribusinesses would be taxed. The Secretary was unable to provide an answer.