FY2015-16 Budget Hearing Recap

Wednesday, March 11, 2015

Department of Community and Economic Development

Testifying: Acting Secretary Denis Davin, Acting Deputy Secretary of Technology & Innovation Sheri Collins, Acting Deputy Secretary of Business Financing Scott Dunkelberger

The Governor is proposing to fund DCED with an increase of $78.4 million or 38.4% for FY 2015-16.

Three of the biggest increases in DCED's proposed budget includes an increase of $25 million for Pennsylvania First, an increase of $15 million for Keystone Communities, and an increase of $11 million for Infrastructure and Facilities Improvement Grants.

The Governor's proposal also includes the creation of three lines: Industrial Resource Centers at $12 million, Base Realignment and Closure at $775,000, and Public Television Technology at $4 million.

The Governor's proposal also eliminates six line items.

Members expressed concern about the Governor's budget proposal cutting funding to tourism. Tourism is Pennsylvania's second largest industry and the Chairman noted that Philadelphia was named by the New York Times as the #3 top city to visit in 2015.

The Acting Secretary stated that Shell is still taking positive steps forward toward building a cracker plant in Western Pennsylvania. DCED does not know when a final decision and commitment from Shell will occur.

The Acting Secretary stated the number one factor driving a company's location decision is workforce, not severance tax or combined reporting.

The Governor is seeking a $675 million bond to fund various economic development projects. The bond would be issued as revenue bonds and the debt would be funded by part of the Marcellus Shale severance tax.

Throughout the hearing the Acting Secretary referred to the Governor's budget as providing tax relief and opportunities to the middle class. When pressed on what he meant by middle class the Acting Secretary could not give a definition or income level of a middle class family.

The Acting Secretary was asked if DCED could speak to the effect of the Wolf tax increases on small businesses. DCED has not examined the effect of the tax increases on small businesses. Most small businesses pay the Personal Income Tax instead of the Corporate Net Income Tax which means these businesses would see a tax increase. Additionally most of these businesses will not see any property tax relief from the Wolf tax plan.

Office of Consumer Advocate and Small Business Advocate

Testifying: John Evans, Small Business Advocate; Tanya McCloskey, Acting Consumer Advocate

For FY 2015-16 the Governor is proposing $5.165 million for the Office of Consumer Advocate. The Office does not receive General Fund revenue. Instead, it is funded from assessments on utilities regulated by the PUC.

For FY 2015-16 the Governor is proposing $1.4 million for the Office of Small Business Advocate. The Office does not receive General Fund revenue. Instead, it is funded from assessments on utilities regulated by the PUC and worker's compensation insurers.

Department of Environmental Protection

Testifying: Acting Secretary John Quigley, Executive Deputy Secretary for Administration and Management Jeff Logan, Executive Deputy Secretary for Field Operations Dana Aunkst

The Governor is proposing to fund the Department of Environmental Protection at $147 million which is an increase of $8 million or 5.6%.

In total the Governor is proposing to fund DEP with $147 million from the General Fund, $356 million in Other Funds, and $193 million in Federal Funds. This means a total of $699 million proposed for DEP.

Members questioned the Acting Secretary on DEP rule making process. The Acting Secretary committed to making sure the process was open to the public and that the rule process was fully transparent.

The Acting Secretary was asked why the Governor is proposing to increase funding for the Delaware River Basin Commission by $316,000 or 73%. There is concern that DRBC is not responsive to flood control issues in New York and that other partners in the DRBC do not pay into the Commission.

The DEP is probably a year or more away from making a permitting decision on the Keystone landfill.

$225 million of the $675 million economic development bond being sought by Governor Wolf would be used for alternative energy, natural gas and energy efficiency projects. DEP believes this will help create jobs. The Acting Secretary noted that the solar industry has declined in Pennsylvania over the last couple of years. The industry has grown in other areas of the country as a result of public funding. This puts into question of the viability of the industry and whether it can stand alone without government support. There were also questions about the constitutionality of this bond since money would go to specific targeted companies.

The Acting Secretary was questioned about the Chesapeake Bay Strategy and meeting federal targets. DEP believes the current system of using incentives and voluntary compliance is not working and there is a need to change the status quo. DEP is working with federal and local partners and the Chesapeake Bay Commission to make sure the Commonwealth meets its federal progress assessment in 2017.

Public Utility Commission

Testifying: Chairman Robert Powelson, Vice Chairman John Coleman, Commissioner James Cawley, Commissioner Pamela Witmer, and Commissioner Gladys Brown

For FY 2015-16 the Governor is proposing to fund the PUC at $72.19 million. This budget proposal represents a $3.8 million increase or 5.6% over FY 2014-15.

The PUC does not receive money from the General Fund. Instead, it comes from assessments on the utilities the PUC regulates.

One of the major topics covered during the hearing was PUC's regulation of Lyft and Uber. In November of 2014, PUC approved an experimental two-year license for these companies to operate everywhere in Pennsylvania except Philadelphia.

The PUC indicated that legislation is needed to better address this issue.

The PUC expects Lyft and Uber will have to pay some type of fee or assessment depending on legislation passed by General Assembly.

The PUC reduced its compliment by 17 positions last year and has held the line on administrative costs. Increasing costs for the Commission are primarily driven by employee benefit costs which are outside the control of the Commission.

The issue of rail line safety was brought up. Rail line safety is primarily the responsibility of the Federal Department of Transportation. PUC has six inspectors for rail line safety and a complement of eight. They do not get reimbursed from the federal government for their efforts.

The Commission was questioned on pipeline safety and siting. The Chairman stated that this was primarily the responsibility of FERC since most pipelines are interstate lines.

There were also questions raised about who would be distributing the current Act 13 impact fees under the Wolf severance tax proposal. PUC does not know if they would still be handling this responsibility.