



## FY2015-16 Budget Hearing Recap Thursday, March 26, 2015

### Office of the Budget/Executive Offices

Testifying: Secretary Randy Albright

For FY 2015-16, the Governor is proposing to decrease the funding to the Governor's Office by \$10,000. For the Lieutenant Governor's Office, the Governor is proposing to increase funding by \$246,000 or 17.8%. For Executive Offices, the Governor is proposing to increase funding by \$10.5 million or 6.1%.

The Secretary was questioned why the administration is still stating there is a \$2.3 billion structural deficit for FY2015-16 when the IFO and the House Appropriations Committee has calculated that the structural deficit is approximately \$1.5 billion. The Secretary was unable to explain why the administration has not updated their deficit projection with the latest available revenue data.

Members once again expressed displeasure with the cutting of critical line items such as Epilepsy services, lupus, diabetes programs, heritage parks, a variety of agricultural line items, poison control centers, burn centers, critical-access hospitals and others. Members stated that these line items are relatively low-cost but provide essential benefits to thousands of Pennsylvanians and should not be used as a political chip. The Secretary stated that the Administration had to make tough choices but is willing to engage in a conversation about restoring funding for these line items.

The Secretary stated that he views this budget as an austere budget. Members questioned how a budget that raises \$4.7 billion in new taxes in FY2015-16 and growing to \$8 billion in FY 2016-17 and increases General Fund spending by 16% is austere.

The Budget Secretary stated during his testimony that the budget proposal needed to be looked at in a holistic manner and stated that the Governor's property tax proposal would deliver 50% property tax relief to Pennsylvania home owners. In reality, only 96 out of 500 school districts would see this relief. The other taxpayers in the 404 school districts would be paying more in taxes than they would receive in new property tax relief.

The Governor is proposing to issue a \$675 million bond to help target specific sectors of the economy. \$225 million of this bond will be targeted at alternative energy and clean energy initiatives. The debt service for this bond will be paid for by the proposed natural gas

severance tax. Members questioned why Pennsylvania should take revenue from one business to reallocate it to others.

One of the main revenue proposals in the Governor's budget is a severance tax on natural gas. The Wolf administration is proposing a tax similar to West Virginia with a 5 percent tax on the value of gas at the wellhead plus 4.7 cents per thousand cubic feet. The Wolf administration is also proposing a price floor for calculating the tax at \$2.97/MCF. Pennsylvania would be the only state in the nation with a price floor built into the tax. This price floor is currently higher than the price of natural gas. Currently natural gas is being sold for \$1.49/MCF in north-central Pennsylvania.

The Governor is planning to institute a new moratorium on school districts trying to enter the PlanCon system. The Authority Rentals and Sinking Fund, which is PlanCon, is proposed to be level-funded in the Governor's Budget proposal.

The Governor's budget proposal plans to increase the Personal Income Tax rate by 20.5%. 70% of businesses in Pennsylvania are filed as S Corporations or Limited Liability which means they pay PIT instead of CNI and will see a tax increase. The Secretary stated that the administration believes that they will be creating a stimulus with the property tax proposal. Members countered that taxpayers in 404 school districts would be paying more in taxes than they would receive in relief.

## Department of Insurance

Testifying: Acting Commissioner Teresa Miller, Executive Deputy Commissioner Randy Rohrbaugh

For FY 2015-16, the Governor is proposing to fund the Insurance Department with an overall decrease in General Fund appropriations of \$80.06 million, or 68.1% compared to FY 2014-15.

A reduction is requested for Children's Health Insurance Administration, bringing it from \$6.49 million to \$3.12 million, a decrease of \$3.37 million, or 52%. This reduction is made possible by a revision of federal financial participation from 66.27% to 89.41%.

The Children's Health Insurance line item decreases for 2015-16 by \$83.69 million, or 75.3%, to \$27.41 million. This is to account for savings from transferring children to the Commonwealth's Medicaid program as a result of the federally mandated Affordable Care Act. This reduction includes nonrecurring revenue and expenses from 2014-15, along with a revision of federal financial participation from 66.27% to 89.41%. This increase in federal matching funds will support an estimated enrollment of approximately 171,100 children in 2015-16, an additional 15,880 children from the 155,220 in 2014-15.

The General Government Operations appropriation comes from the Insurance Regulation and Oversight Fund which was created along with the passage of the 2013-14 budget. It provides a dedicated source of revenue for the administration of the Department. The fund receives 50% of all licenses and fees collected by the Insurance Department, all augmentations and reimbursements made to the Department by regulated entities, and in 2013-14, 100% of all penalties, fines, assessments and settlements. The Department is requesting this appropriation increase by \$1.51 million, or 6.6%, in order to continue the operations of the Department.