



## MEMORANDUM

TO: Charles Raudenbush, Jr.  
FROM: Nancy Rowe, Research Director, State Street Advisors  
DATE: August 8, 2016  
SUBJECT: FY16-17 budget overview

The Governor signed a budget package in July. Below is a description of items of interest to the Waste Industry.

### GENERAL BUDGET PACKAGE INFORMATION

The budget of Pennsylvania is a legislative package made up of a series of bills, including:

- The General Appropriations bill (which is commonly referred to as “the budget”) spells out line-by-line by department what programs within state government will receive funding, and how much;
- A tax bill (if needed) to provide revenue to pay for the spending on the programs in the General Appropriations bill. Each year, the revenue from various state taxes, fees and assessments is estimated for the upcoming fiscal year, along with the estimated state debt obligation. If the estimated revenue is less than what the state plans to spend on the programs in the General Appropriations bill, a tax bill is negotiated that lays out the revenue stream for additional revenue above the estimated revenue income for the upcoming fiscal year. The revenue bill and the spend bill must balance each other out;
- A Fiscal Code bill which authorizes legislative changes to existing state programs and the creation of new programs within the General Appropriations bill;
- An omnibus human services (welfare code) bill
- An omnibus school code bill
- Ancillary funding bills for state-related universities and independent agencies such as the PUC, professional licensing boards, SERS and PSERS.

Although you hear talk of June 30 as the budget “deadline” when the budget (specifically the General Appropriations bill) must be signed, there is nothing in the PA Constitution that mentions a specific date. It is referred to as a deadline because the state’s fiscal year is July 1-June 30. It is the goal of all parties involved to have a budget in place before the start of the next fiscal year. The chatter regarding a drop dead date of June 30 and talk of missed deadlines is mostly political, however.

The PA Constitution does say that the budget (the entire package) must be balanced.

## **FISCAL YEAR 16-17 LEGISLATION**

### **General Appropriations bill**

The FY16-17 \$31.53 billion General Appropriations bill (SB 1073, Act 16A) became law without the Governor's signature on July 12, 2016. It is an increase of 4.7% over FY15-16, much of which is spending mandated by the federal government and payment on debt obligations. The Governor would not sign this spending bill sent to him by the General Assembly because the revenue package (tax bill) that provided the revenue for this spending bill had not been developed or passed by the legislature. He deemed this as not meeting the balanced budget requirement of the Constitution, so he allowed the General Appropriations bill to become law without his signature while awaiting the tax bill to come from the legislature.

Included within the bill:

#### **DCED:**

A major change in the DCED funding is the removal of the transfer for the Commonwealth Financing Authority (CFA). The \$95.3 million that would have been transferred from DCED to the CFA will be paid through a newly-established restricted revenue account. The CFA's Act 13 programs (water, sewer, flood, greenways), Renewable Energy, Multi-modal and PennWorks programs are all still open for applications. First Industries, Building PA, High Performance Buildings, Alternative Clean Energy, and H2O PA are still under the auspices of the CFA, but the programs currently are defunded or not accepting applications at this time. The bill recapitalizes the Business in Our Sites program with a \$75 million transfer from other programs.

DEP receives \$147.8 million for the new fiscal year. This is an overall increase of 3.5% and includes a \$30 million, or 6% increase in environmental program management, and a \$89.06 million or 2.2% increase in environmental protection operations. The state's Environmental Hearing Board will receive a 4.7% increase.

#### **Transportation**

Very few changes were made to the PennDOT budget. The overall state funding decreased by 3.0%.

### **Revenue bill**

Also part of the budget is the FY16-17 tax bill (HB 1198, Act 84 of 2016) which provides the revenue for the spending bill. Among other things, the tax bill:

- moves the filing date for the CNI tax returns to one month after the due date for the federal government;
- allows a corporation to file an amended CNI tax return even if the original is being assessed
- makes a technical correction to the R&D tax credit language to clarify that the sunset for the tax credits was removed;
- increases the tax credit incentive for companies to hire veterans

### **Fiscal Code**

Included in the Fiscal Code (HB 1605, Act 86 of 2016) is a transfer of \$9 million from the Recycling Fund to the General Fund to help balance the budget.

Although rumored as a possibility, there was no change made to the tipping fee.

### **School Code bill**

The bill (HB 1606, Act 86 of 2016) increased the amount of tax credits in the Educational Improvement Tax Credit (EITC) program by \$25 million to a total of \$125 million, allocated in the same proportions as provided in current law

### **OTHER PROGRAMS**

DEP's Alternative Fuels Incentive Fund, which funds the AFIG and AFV programs, receives its revenue from the gross receipts tax. \$5 million of \$5.2 million designated for the Fund in FY16-17 will be transferred to the General Fund to help balance the FY16-17 budget. This leaves only \$200,000 in additional revenue in FY16-17 for the programs.

### **AFIG**

The AFIG Program helps to create new markets for alternative fuels in Pennsylvania which enhances energy security. An investment is being made not only in alternative fuels, but the deployment of alternative fuel vehicles, fleets and technologies. Seven million dollars in grants is still available in calendar year 2016. Instead of one deadline in 2016, the AFIG program will remain open and receive applications throughout the year in four-month submissions periods. They will be evaluated on a quarterly basis with awards determined quarterly. The next two submission periods end 4:00 pm Friday, April 29, 2016 and 4:00 pm Friday, December 30, 2016.