

LEG REG REVIEW

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SENATE SAYS NO: BUDGET ISSUES STILL UNRESOLVED

On Wednesday, September 20, the PA Senate rejected a House-passed revenue bill by a vote of 43-7, thus paving the way for a Conference Committee where three House members and three Senators try to thrash out differences. At issue was the Senate approach which included new taxes and the House version which had no new taxes but instead tapped about 50 dedicated funds to balance the State Budget.

Backdrop on the Senate Vote

Technically, the Senate vote was on a motion to non-concur with House amendments to House Bill 453. The vote showed that the more conservative wing of the Republican Party has less influence in the more moderate Senate than it does in the House where conservatives were able to convince all but 15 Republicans to go for the no-tax option. The seven Senators voting for the House approach were John DiSanto (Perry/Dauphin), John Eichelberger (Blair), Scott Hutchinson (Venango), Mike Regan (Cumberland), Pat Stefano (Westmoreland/Somerset/Fayette), Scott Martin (Lancaster), and Scott Wagner (York). Stalwart Senate conservatives Michelle Brooks (Erie/Warren/Crawford/Mercer) and Mike Folmer (Lebanon/Dauphin) did vote with the majority to oppose the House idea.

What Happens Next

The PA House will be in session this week and then things could begin to take shape. Assuming that there is to be a Conference Committee, there may be jockeying for who represents the House in negotiations – will it be leadership or will it include a House member who is ideologically committed to no new taxes? The Senate's return is not scheduled until October 16 but they would come back sooner if there is something on which to vote.

An obvious point of disagreement is taking money from dedicated funds. Should these special funds established for specific purposes be off-limits or should they be considered savings accounts which could be used in case of a fiscal crisis?

Dedicated Funds May Still Be In Play

With Senate rejection of the House amendments, a quick look would suggest that dedicated funds are safe, but – not so fast! Looking deeper, both versions of the bill take money from dedicated funds. The Senate-passed bill would have taken \$200 million from the Joint Underwriting Authority (JUA), the medical malpractice insurer of last resort. The House removed this provision but chose to go after several other insurance-related funds, examples of which are:

- **Underground Storage Tank Indemnification Fund (USTIF):** Established to take care of cleaning up oil tank spills and leaks, it is funded by a tax on every gallon purchased at a gas station. (\$100 million loan from USTIF reserves)
- **The House-passed bill would have taken \$10 million from the Insurance Regulation & Oversight Fund,** of which approximately half goes into the Department's operating budget of \$27 million while the other half is already siphoned off into the General Fund.
- **\$25 million from the Banking Fund:** This Fund provides General Government operations money for the PA Department of Banking & Securities.
- **\$1.992 million from the PA eHealth Partnership Fund:** This fund provides support to a state agency seeking to make medical records accessible electronically to health care providers so as to reduce duplicative tests which drive up the overall cost of health care borne by increasing claims.

Ultimately, the final budget bill may include some taxes (Senate version) and some dedicated funds (House version). The point here is that the Budget impasse is far from over!

ON THE HOUSE CALENDAR

- **SB 181 (Mensch-R-Montgomery/Berks/Bucks) for performance-based budgeting.** This means that state agencies would have to justify budgets including monies that had been approved in a previous fiscal year.
- **SB 651 (Browne-R-Lehigh) Capital Budget for FY 2017-18.** This is a lesser known budget bill that must be passed by the General Assembly. Basically, it is a list of specific tangible projects on which state money may be spent. Although important, being on the Capital Budget list gives one an invitation to the dance but without a guarantee of a partner.
- **There are two insurance bills on second consideration.** This means that they need to be looked at one more session day before the House can finally vote. They are **House Bill 1576 (Pickett-R-Bradford) which would enable unlicensed persons to sell travel insurance** as long as there is a licensed insurance producer on-site and **House Bill 1286 (Mentzer-R-Lancaster) mandating that a study be undertaken to look at medical malpractice punitive damages.**
- **Discharge Resolutions** are introduced when a House members feels that a committee chair is refusing to bring up a bill in his/her committee. Since consideration of Discharge Resolutions is difficult, they may be on the agenda for some time without being acted upon. Currently, there are four: **HB 557 guarantees Marcellus Shale gas royalties to leaseholders** (*filed 6/28/17*); **HB 113 concerns taxing Marcellus Shale natural gas extraction** (*filed 7/11/17*); **HB 1520 increases the minimum wage to \$15 per hour by 2024** (*filed 7/11/17*); and **HB 1416 mandates negotiating meetings every day if a State Budget is not approved by June 30.** (*filed 9/13/17*)

SPECIAL ELECTION. House Speaker Michael Turzai (R-Allegheny) set December 5 as the date for a special election to fill the late Representative Dan McNeill's (D-Lehigh) unexpired term.

MARYLAND INSURANCE ADMINISTRATION NEWS... Bulletin 17-10 issued September 22, 2017, spells out rules for using credit cards in paying insurance premiums. Carriers may not impose fees on those wishing to pay by credit card. Insurance producers and carriers may not demand collateral. Insurance producers must disclose other payment options and disclose any charge for actual expenses incurred by the producer because a credit card is used. <http://insurance.maryland.gov/Insurer/Documents/bulletins/17-10-Credit-Cards-Accepted-for-Insurance-Payment-Premiums.pdf>