

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 416

PRINTER NO. 2576

AMOUNT

See Fiscal Impact

FUND

Multiple Funds

DATE INTRODUCED

January 30, 2025

PRIME SPONSOR

Representative Waxman

DESCRIPTION

House Bill 416 amends the Fiscal Code by serving as the omnibus legislation necessary to effectuate implementation of the Fiscal Year 2025-26 budget.

Holocaust Survivor Exemption

This bill provides that any amount received by a Holocaust survivor as part of Holocaust reparations is exempt from personal income tax.

Fiscal Code: This provision will have no fiscal impact on Commonwealth funds.

Child Care Recruitment and Retention Program

This bill establishes the Child Care Recruitment and Retention program which will provide roughly \$450 more annually per employee to licensed childcare centers with collaborative agreements in the Child Care Works program.

Fiscal Impact: This provision is funded by a \$25 million appropriation in the General Appropriation bill.

9-1-1 Surcharge Extension

This bill extends the 9-1-1 surcharge of \$1.95 to expire on February 1, 2029.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds as it extends the current surcharge rate for three years.

Federal Decoupling

This bill decouples Pennsylvania’s corporate net income tax (CNIT) from the following changes as enacted as part of federal H.R.1 legislation:

- Provides that corporate taxpayers are to amortize research and experimentation (R&E) expenditures ratably at twenty percent per year, which allows the expenses to be deducted over a five-year period.
- Decouples Pennsylvania’s CNIT from a federal provision that allows for the immediate expensing of certain nonresidential real property, known as qualified production property, and allows for property to be written off under the normal depreciation rules that exist for other types of real property.

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- Requires corporate taxpayers to calculate their Pennsylvania taxable income using the federal business interest expense limitations that were in effect on December 31, 2024.

The Department of Revenue is required to prepare a report to the General Assembly providing information regarding the decoupling provisions contained in this legislation.

Fiscal Impact: By decoupling from certain provisions of H.R.1, the Commonwealth is able to maintain the current tax environment prior to the federal changes, preventing the Commonwealth from losing over \$1.1 billion in FY 2025-26.

Joint Underwriting Association

This provision will direct \$100 million from the Joint Underwriting Association to the Department of Human Services for Medical Assistance – Capitation.

Fiscal Impact: This provision allocates \$100 million in addition to the \$200 million directed under Act 44 of 2017 for Medical Assistance – Capitation.

Rural Health Transformation Program

The legislation establishes the Rural Health Transformation program under the Department of Human Services to distribute funding and implement a rural health transformation plan for health-related activities in accordance with the federally approved application.

Fiscal Impact: This provision will have no fiscal impact.

Interest on Impasse Loans

This bill allows the Treasurer to waive interest on loans made due to the budget impasse and prohibits similar future programs.

Fiscal Impact: This provision will result in the loss of any waived interest on amounts loaned to eligible entities by the State Treasurer, estimated to be \$100,000.

Use of Unused Funds

This provision increases the amount of unused Commonwealth funds the Governor can expend in a declared disaster to \$40 million. It also provides the Governor with authority to, if all funds have been exhausted, transfer \$25 million in unused funds appropriated for other purposes, for the purposes relating to preparing and responding to an outbreak of avian influenza. Of that, only \$2 million shall be allowable for the establishment and operation of an avian influenza response team.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Oil and Gas Lease Transfer

This bill stops the transfer from the Oil and Gas Lease Fund to the Marcellus Legacy Fund for distribution to the Environmental Stewardship Fund for Fiscal Year 2025-26.

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Fiscal Impact: The Oil and Gas Lease Fund will realize a reduction in expenditures of \$3,016,000 for Fiscal Year 2025-26. The Marcellus Legacy Fund and Environmental Stewardship Fund will have no fiscal impact as a result of this provision. The transfer was previously utilized to pay the debt service on the Growing Greener bonds, which will be paid out of Personal Income Tax during Fiscal Year 2025-26.

Advanced Air Mobility Site

This bill requires the Department of Transportation to designate an airport as an advanced air mobility site in order to facilitate the development, innovation, and testing of advanced air mobility systems, including drones.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Resident Care

This bill extends the expiration of the authority of the Department of Human Services to enforce rules and regulations regarding staffing ratios in nursing homes for one year to December 2026.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Home Improvement Contractors Protection Act

This bill increases the biennial fee the Attorney General assesses for registration of home improvement contractors to \$100 until December 31, 2027.

Fiscal Impact: This provision will result in an annual increase of between \$1,500,000 and \$2,000,000 to the Home Improvement Restricted Account.

Rare Disease Advisory Council

This bill adds four members to the council, one appointed by each caucus leader in the House of Representatives and the Senate.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Affordable Housing Tax Credit

This bill makes changes to allow the Pennsylvania Housing Financing Agency to auction tax credits as a wholesale auction to raise capital to add to their housing awards.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds as the tax credit cap remains unchanged.

Working Pennsylvanian's Tax Credit

This bill establishes a new, refundable state-level tax credit linked to the federal earned income tax credit. A taxpayer that claims the federal Earned Income Tax Credit may also claim a state tax credit equal to 10% of the federal amount received by a taxpayer for the same taxable year.

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Fiscal Impact: This provision is expected to reduce Personal Income Tax revenue by \$193.5 million in FY 2025-26 and \$215 million on an annualized basis.

Keystone Opportunity Zones

This bill expands the KOZ expansions zones to include parcels in Cambria County, extends the KOZ at the Navy Yard in Philadelphia for an additional 10 years, and clarifies parcels within the Bellwether property in the City of Philadelphia.

Fiscal Impact: To the extent new parcels are added to any KOZ, the Commonwealth may realize a reduction in certain tax revenues related to the zone. For the Navy Yard KOZ extension, the Commonwealth will realize reduced revenues due to the continued waiver of state taxes.

Rainy Day Fund Transfer

This bill stops the transfer of funds in the FY 2024-25 General Fund ending balance to the Rainy Day Fund.

Fiscal Impact: This provision will result in \$416 million remaining in the General Fund.

State Workers Insurance Board

This bill extends the board's authority until 2028.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

CFA Grants

This bill transfers returned and unused funds within CFA accounts for the Small Water and Sewer program.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Tobacco Settlement Fund

This bill provides for the extension of the transfer of revenues from the Cigarette Tax to the Tobacco Settlement Fund for annual debt service for Fiscal Year 2025-26. The bill also provides for the Fiscal Year 2025-26 distribution of Tobacco Settlement Fund payments as follows:

- 4.5% for tobacco use prevention and cessation programs (\$13,991,000);
- 8.82% for Health Research – Health Priorities formula-based grants (\$27,423,000);
- 2.61% for Health Research – Pediatric Cancer (\$8,115,000);
- 0.87% for biotechnology research equipment grants (\$2,705,000);
- 0.30% for spinal cord injury research programs (\$933,000);
- 1% for health and related research under Section 909 of the Tobacco Settlement Act (\$3,109,000);
- 8.18% for the Uncompensated Care Payment Program (\$25,433,000);

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- 30% for the purchase of Medicaid benefits for workers with disabilities (\$93,276,000); and
- 43.72% shall remain in the fund to be separately appropriated for health-related purposes (\$135,934,000).

Fiscal Impact: The transfer from the Cigarette Tax for debt service for Fiscal Year 2025-26 is \$115,300,000. The percentage allocations result in appropriations from the Tobacco Settlement Fund for health-related programs in Fiscal Year 2025-26 of \$310,919,000.

Distribution from the Pennsylvania Race Horse Development Trust Fund

This bill requires the Department of Revenue to transfer \$15,305,000 to the State Racing Fund for costs associated with the enforcement of medication rules in horse racing.

Fiscal Impact: This provision will provide \$15,305,000 for enforcement of medication rules and regulations in Fiscal Year 2025-26.

Workers' Compensation Assessment Refund

This bill will require the Insurance Department to provide a refund of assessments paid plus interest to carriers who apply to the department within the designated timeframe.

Fiscal Impact: This provision may have an impact on the Workers' Compensation Security Fund to the extent carriers apply for refunds.

Service Infrastructure Improvement Fund

This bill provides for the allocation of funds from the employee contribution to the Unemployment Compensation Trust Fund to the Service Infrastructure Improvement Fund for the administration of the Unemployment Compensation system.

Fiscal Impact: The enactment of this provision will provide for \$104,354,000 to be deposited into the Service Infrastructure Improvement Fund.

Property Tax Relief Fund

This bill will allow the Secretary of the Budget to transfer funds from the Property Tax Relief Fund to the Lottery Fund to provide full funding for the Property Tax Rent Rebate Program.

Fiscal Impact: This provision will provide \$120 million in relief to the Lottery Fund.

Nonnarcotic Medication Substance Use Disorder Treatment

This bill authorizes the use of prior-year unspent funds appropriated for nonnarcotic medication substance use disorder treatment to be used for comprehensive substance use disorder treatment for eligible offenders who are incarcerated at a county correctional institution.

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Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Pennsylvania Commission on Crime and Delinquency

Allows the Pennsylvania Commission on Crime and Delinquency to use funds allocated for law enforcement improvements under the Medical Marijuana Act to be used for police departments and accredited forensic crime laboratories that demonstrate a need relating to the enforcement of the Medical Marijuana Act and to provide services to crime victims.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

American Rescue Plan Reallocation

This bill provides for the reallocation of unexpended funds received under the American Rescue Plan and appropriated from the COVID-19 Response Restricted Account to the Department of Corrections.

Fiscal Impact: This provision is anticipated to reallocate \$6,413,000 from funds received under the American Rescue Plan to the Department of Corrections.

Enterprise and Technology Restricted Account

This bill provides for the Secretary of the Budget to transfer \$59,250,000 of previously appropriated funds into the Enterprise and Technology Restricted Account to be utilized for the implementation of Information Technology projects.

Fiscal Impact: This provision appropriates \$59,250,000 of previously appropriated funds as follows: \$20,000,000 for the Enterprise Systems Lifecycle project, \$6,900,000 for the Commonwealth Office of Digital Experience, \$10,000,000 for the Enhanced Enterprise Cyber Security Projects, \$15,266,000 for the Space Optimization and Utilization Improvement Project, \$6,000,000 for audiovisual upgrades for the Emergency Management Agency, \$504,000 for audiovisual upgrades for the Department of Military and Veteran's Affairs, \$80,000 for information technology enhancements for the Office of Victim Advocate, \$300,000 for the Case Management System Project, and \$200,000 for climate control system upgrades at the State Library.

Solar for All

This bill provides that any federally appropriated funds for the Solar for All program shall be used for projects approved by the Commonwealth Financing Authority and consistent with federal guidelines.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Western Animal Diagnostic and Testing Laboratory

This bill provides for the reallocation of funds allocated for Avian Influenza prior to FY 2024-25 to be utilized for operations of a new animal diagnostic and testing laboratory.

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Fiscal Impact: This provision allocates \$6,000,000 previously appropriated for avian influenza to be utilized for the operations of a new animal diagnostic and testing laboratory.

Fish and Boat Commission Funds

This bill allows the Fish and Boat Commission to utilize funds in both the Fish Fund and the Boat Fund for expenditures benefiting boats, boating, fish, and fishing.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

CFA School Facilities Program

This bill adds Solar for Schools projects as eligible projects and provides for the use of funds appropriated in FY 2025-26. It also transfers \$25 million in unspent CFA funds to the PlanCon restricted account for costs related to PlanCon projects.

Fiscal Impact: This provision reduces General Fund spending in the Authority Rentals and Sinking Fund appropriation by \$25 million.

Court Fee Increase

This bill increases certain court fees by \$1.00 and extends them to traffic citations. These fees are directed to the Attorney General to make payments to counties for full-time District Attorneys, of which the Commonwealth is obligated to pay 65% of salary.

Fiscal Impact: This provision is anticipated to raise \$1.9 million in additional funds annually.

Multimodal Transportation Fund

This bill provides that the match requirements for the Commonwealth Financing Authority portion of the program are expanded to include local, regional, or metropolitan transportation authorities. The provision of this section is extended to December 31, 2026.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Sexual Offenders Assessment Board Fees

This bill increases the compensation for an assessment performed by members of the board from \$350 to \$500.

Fiscal Impact: This provision is anticipated to provide \$366,000 in additional funds annually.

Special Fund Interest Transfer

This bill directs the Secretary of the Budget to transfer up to \$100 million in special fund interest to the General Fund in FY 2026-27. The Budget Secretary shall evaluate the feasibility of transferring special fund interest in future fiscal years.

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Fiscal Impact: This provision shall provide \$100 million in revenue to the General Fund in FY 2026-27.

I-Gaming Transfer

This bill transfers \$91 million from the IGaming Slots Hold Harmless Local Share Account to the Lottery Fund.

Fiscal Impact: This provision will result in a \$91 million transfer from the IGaming Slots Hold Harmless Local Share Account to the Lottery Fund.

Local Economic Revitalization Tax

Extends the abatements provided for under the Local Economic Revitalization Tax in Philadelphia, Allegheny County, and Pittsburgh from 10 years to 20 years. In Philadelphia the extended abatement only applies to projects that convert deteriorated property to housing.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds. This provision may result in the abatement of local tax revenues.

Regional Greenhouse Gas Initiative Regulation Abrogation

This bill abrogates the Regional Greenhouse Gas Initiative regulation.

Fiscal Impact: This provision has no fiscal impact on Commonwealth funds.

Permitting Reform

This bill expands the Streamlining Permits for Economic Expansion and Development Program to include additional permits, provides timelines for permits to be 'Deemed Approved', and establishes a permit tracking system.

Fiscal Impact: This provision has no fiscal impact on Commonwealth funds.

Electricity Load Forecast Accountability

This bill provides the Public Utility Commission with the ability to investigate methodologies data and assumptions used by utilities when developing load forecasts submitted to PJM.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.

Illuminated Sign on Public Transportation Vehicles

This bill authorizes digital displays on the rear or sides of public transportation vehicles and authorizes the Department of Transportation to promulgate regulations regarding the signs.

Fiscal Impact: This provision will have no fiscal impact on Commonwealth funds.