

LEG REG REVIEW

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LEG REG REVIEW is a periodic newsletter produced by PHILLIPS ASSOCIATES, a professional lobbying and consultant firm located near the State Capitol. It contains news on Pennsylvania legislation and regulations impacting the Insurance and Business Communities. Subscriptions are \$100 per year and further information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/232-7005 or e-mail at xenobun@aol.com. Please email jtrout2792@aol.com supplying both your name and e-mail address if you wish to be removed from or added to this list. Whether you need help meeting your CE or have a particular problem/question, please go to our web site to explore how PHILLIPS ASSOCIATES may be of service to you, your employees, and your clients. www.vphillipsassoc.com

PA BUDGET SAGA CONTINUES

On July 27, the PA Senate voted narrowly to approve a series of tax increases that lined up with Wolf Administration proposals such as taxing the extraction of Marcellus natural gas, something Senate Republicans had previously opposed. The 26-24 vote on House Bill 542 showed an interesting party split with four Democrats joining 20 Republicans in saying no. This goes to the House for concurrence, something that will eventually invoke a test of wills between Senate Republican leadership, Senate and House Democrats versus House Republican leadership. **HOWEVER**...when looking at the State Budget and really trying to understand what is happening in Harrisburg, one needs to look at the ***fine print*** and to recognize that there is more than one Budget bill.

First are the free standing bills. Some of these were mentioned in the last

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[Senate Bill 680](#) provides for expenses of the State Employees' Retirement Board.

[Senate Bill 681](#) provides for expenses of the Public School Employees' Retirement Board.

[Senate Bill 683](#) provides Fiscal Year 2017-18 funding to the Department of Labor & Industry and the Department of Community & Economic Development to cover the expenses of administering the Workers' Compensation Act.

Second, there is the Administrative Code. Laws within this Code address state government administrative operations. House Bill 118 establishes the Emergency Drug & Alcohol Detox Program, increases Death Certificate fees from \$9 to \$20, increases numerous Labor & Industry fees for programs such as boiler inspections and elevator inspections, continues the state's \$2.00 per ton landfill recycling fee, and more. **Of particular interest to the insurance industry is the transfer of \$200 million from the state's medical malpractice carrier of last resort, the Joint Underwriting Association (JUA) to the State Treasurer.** HB 118 passed the Senate 37-13 with all negative votes coming from Republicans.

Next comes the Fiscal Code. Laws within this Code address fiscal operations and revenue to the Commonwealth. Some provisions are enablers such as allowing the General Assembly to borrow money from a financial institution to fund its operations during a budget impasse. Part of that Code also gives Philadelphia the authority to impose certain taxes and regulate certain functions. Transportation Network Companies (Uber, Lyft) can lose their license to do business in Philadelphia if they fail to remit the 40-cent fee for picking up or dropping off passengers to the Philadelphia International Airport. It also:

- Transfers \$19.659 million from the Race Horse Development Fund to agricultural programs (\$4 million to County Fairs, etc.)
- Allocates Tobacco Settlement money: \$45.7 million to home and community-based services, \$15.8 million for tobacco cessation, \$44.3 million for health research, \$28.76 million to compensate hospitals for uncompensated care.

The Senate vote was 40-10 with ten Republicans voting against.

Forth is the Public School Code. Laws within this Code govern education and include teacher training and student testing as well as fiscal issues relating to public education. **Some examples:**

- Schools may not stigmatize students who cannot pay for their lunches (“Shaming”).
- *Requires mandatory Opioid abuse instruction beginning in the 2018-19 school year*
- Establishes the Commission of Agricultural Education jointly with the Departments of Agriculture and Education Department. NOTE: This is the subject of House Bill 944 (Keller-R-Perry) which passed the House June 19 and is now in the Senate Agriculture & Rural Affairs Committee.
- *Continues state funding for Community Colleges at current levels*
- Allows the Rural Regional Community College to change its name if it chooses.

The vote on House Bill 178 was 34-18. Twelve of the 18 ‘no’ votes came from Democratic Senators.

Last, there is the Tax Code. This Code sets rates of taxation, makes

exemptions or removes them, and establishes new taxes. This is the bill on which the media reported and this is the bill referenced above in the lead paragraph that passed 26-24. It requires Internet purchases to be subject to the PA Sales Tax (\$43.5 million). It imposes an \$80 million extraction tax on Marcellus natural gas extraction. It creates a 12% tax on individual purchase of fireworks (\$2.8 million). It increases the gross receipts tax rate on telecommunications companies from five percent to six percent, generating and imposing a 5.7% gross receipts tax on retail sales of natural gas, generating \$405.8 million in new revenue. The Tax Code bill also authorizes the Commonwealth Financing Authority to issue **\$1.3 billion in bonds against the Tobacco Settlement**. A portion of Tobacco Settlement annual payments may be used to pay the debt service. Repayment of the bond begins in two years.

Not included in any of these Budget bills was Governor Tom Wolf's original proposal to extend the reach of the Insurance Premium Tax to previously exempted insurers such as the Blues. This idea was vigorously opposed by insurers and by the PA Association of Health Underwriters (PAHU).

Another early Wolf proposal was to in effect take out a mortgage on the Farm Show Complex. Due to opposition by agricultural groups, this idea did not make the cut.

PERSONNEL...

- Pa Physician General Rachel Levine is now Acting Secretary of the PA Health Department.
- Governor Tom Wolf will nominate Jerry Oleksiak to replace Kathy Manderino as Secretary of the Labor & Industry Department which oversees Workers Compensation. Oleksiak is the current President of

the PA State Education Association (PSEA), the teachers' union.

REGULATORY UPDATES

- PA Compensation Rating Bureau (PCRB) has proposed revisions in the Workers' Compensation underwriting guide for Classification 972 – Attendant Care Services, 942 – Home Health Care Professional Staff, and 943 – Home Health Care Non-professional staff. Details: www.pcrb.com under 'Filings'.
- The Insurance Department's comment period on Saucon Mutual Insurance Company's conversion to a stock company closes August 14. Details: Cressinda Bybee, cbybee@pa.gov.
- Applications for recertification as Certified Reinsurers were received from Chubb Tempest Reinsurance Ltd., Chubb Reinsurance (Switzerland), Ltd., and ACE INA Overseas Insurance Company, Ltd.
- The Insurance Department July 29 issued its annual private passenger auto insurance data call to auto insurance companies. These reports are due October 16, 2017. Details: James DiSanto 717-783-2118, jadisanto@pa.gov.
- Maximum autism spectrum disorders benefits increase from \$38,852 per year to \$39,668 for policies issued or renewed in 2018. Details: ra-rateform@pa.gov.