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GOVERNMENT RELATIONS UPDATE

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*PA- Section, American Water Works Association
National Association of Water Companies
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Bipartisan State Budget Heads to Governor, Highlights House Republican Effort to Reinvent PA Government, Leaders Say

On June 30, 2017, the state House overwhelmingly passed a bipartisan budget agreement, based on the original House Republican “smart budget,” which answers the challenge to deal with a potential \$3 billion shortfall and begins the process of reinventing Pennsylvania government. Without raising the income or sales taxes, the budget provides additional funding for key education and public safety programs. [House Bill 218](#) passed the House today by a vote of 173-27, House Republican leaders said.

According to the leaders, the bipartisan budget supports additional funding for schools, pension obligations and services for the intellectually disabled, but demands additional savings across state government agencies and programs, including Medicaid. The budget also shows savings from the shrinking prison population.

“This budget begins the process of a government reinvention – plotting a new course for Pennsylvania, punching holes in bureaucracy and pushing the focus on government’s core functions,” Majority Leader Dave Reed (R-Indiana) said. “This budget may not be perfect, but it accomplishes many core goals on which we as Republicans and Democrats stand together. This budget looks to address the major cost drivers that continue to plague our budget situation year after year after year.”

“While reflecting our continued commitment to controlled spending, this budget does not rely on onerous job-crushing tax hikes originally proposed by the governor,” Speaker of the House Mike Turzai (R-Allegheny) said. “This bipartisan, no income or sales tax increase budget places priorities on core government functions, especially quality education for our children.”

The spending plan in House Bill 218 is based on the original House Republican budget passed in April, but is the result of tough negotiations with the Senate Republicans, House and Senate Democrats, and Gov. Tom Wolf.

Total General Fund spending is \$31.996 billion. The April 4 House Republican budget totaled approximately \$31.8 billion and the governor’s proposal would have spent \$32.6 billion.

“House Republicans succeeded in keeping spending in check while negotiating this final bipartisan budget,” House Majority Whip Bryan Cutler (R-Lancaster) said. “We began the discussion to reinvent and restructure state government last session, and through this budget, we are merging four agencies into two, and making everyone focus on the core functions of government, which our taxpayers expect.”

While acknowledging more needs to be done, this budget, the leaders said, begins the process of eliminating duplicative services and reducing overall costs to encourage reform and innovation, while ensuring funds are available for core government services.

“We appreciate Gov. Wolf taking our suggestion seriously to look at changing state government and how it operates,” Reed said. “By reducing and eliminating outdated bureaucratic expenditures, without raising taxes, we can redirect needed funding to government’s core functions like education, infrastructure, public safety and human service programs.”

The bipartisan budget agreement reflects the merger of the Department of Human Services and the Department of Health into a combined Department of Health and Human Services. The merger of the Department of Corrections with the Board of Probation and Parole is also included in House Bill 218.

Legislation to officially combine these agencies will be forthcoming over the next few weeks.

“We are devoting \$11.8 billion, or nearly 40 percent of the General Fund, to PreK-12 education through our fiscally responsible approach – without imposing new or increased taxes on hard-working Pennsylvanians or employers,” Appropriations Committee Chairman Stan Saylor (R-York) said. “We took a responsible approach to craft a sustainable budget.”

Reaffirming the House Republican commitment to education at all levels, House Bill 218 would help provide Pennsylvania’s students with a quality education from the youngest ages through college:

- Increases Basic Education Funding through the fair funding formula by \$100 million to \$5.995 billion.
- Restores the governor’s harmful Pupil Transportation cut to school districts.
- Increases early childhood education funding (Pre-K Counts and Head Start) by \$30 million to \$226.5 million.
- Increases Special Education Funding by \$25 million to \$1.122 billion.
- Sets a record high \$11.86 billion for PreK-12 education – in fact, with this budget, Republicans will have increased PreK-12 education by more than \$1 billion since the 2015-16 fiscal year.
- Increases funding for the State System of Higher Education by 2 percent (\$8.84 million).
- Increases funding for Thaddeus Stevens College of Technology by \$664,000.

“Restructuring takes time,” Saylor said. “It’s going to take us a couple of years to restructure Pennsylvania completely, but this is an excellent start and when we move towards performance-based budgeting, we will see even better results.”

The bill now goes to the governor’s desk.

Source: House Republican Caucus, 6/30/2017

Governor Wolf Commends Passage of Bipartisan General Appropriations Bill, Commits to Finishing Budget

On June 30, 2017, Governor Tom Wolf released the following statement on the major bipartisan support in both the House and Senate for the compromise General Appropriations bill:

"Over the past two years, Republicans and Democrats have worked together to make progress for the people of Pennsylvania.

"After decades of failure, we passed pension reform that will put Pennsylvania on the path to a sustainable fiscal future, save taxpayers billions,

and reduce payments to Wall Street fund managers. This budget fully funds our pension obligations. We passed the most significant liquor reform since prohibition. We set our differences aside, and made real changes for customers and taxpayers.

"After years of devastating education cuts, we have restored more than \$800 million in education funding. I am going to keep fighting to fix our schools, but this budget represents one of the most significant investments in schools in our lifetime. And we passed a fair funding formula, taking Pennsylvania off a shameful list of states without a way to fairly fund their schools. This budget keeps investing in schools.

"Together, we've fought the heroin and opioid crisis that continues to plague our communities. We have developed treatment options and provided lifesaving medicine, but we know the crisis has not abated so we're continuing to fight by making drug courts available to low level offenders so those who are struggling can get treatment.

"Today, we finalized a general appropriations bill. It's a start, and it's not everything I wanted or everything Republicans wanted, but unlike D.C., we can compromise and get things done just like when we passed bipartisan pension reform and bipartisan liquor reform.

"This budget includes much of the savings, efficiencies, and cuts I proposed in February in my budget address. But we avoided deep, indiscriminate cuts that would have endangered our ability to deliver services to the people of Pennsylvania.

"This budget invests over \$175 million more in our schools. Over the past two years, we've restored more than \$800 million in cuts to schools.

"This budget helps those in Pennsylvania who need help the most. It reduces the waiting list for those with intellectual disabilities; this budget makes additional investments in our efforts to fight the opioid epidemic; this budget invests in key programs to create manufacturing jobs in Pennsylvania, and allows the commonwealth to team up with businesses and institutions of higher learning to create jobs and a strong workforce.

"And it builds on our efforts to make government more efficient and responsive. We consolidated IT and HR functions, and through an internal team focused on finding efficiencies and making government more effective, we have saved over \$150 million and improved customer service at places like DMVs. I have rolled up my sleeves and worked with employees throughout the commonwealth to deliver change and efficiencies, and I am heartened that the legislature has joined my efforts.

"But there is still work to do: We need a sustainable revenue package that gets Pennsylvania on track. For too many years, Pennsylvania has lurched from crisis to crisis. We began to address it with pension reform, and by fully funding our pension obligation, we have taken another important step.

But Pennsylvania cannot get ahead if we do not take our responsibility for long term financial stability seriously. Let's redouble our efforts, and continue to show people the progress we can make by working together."

Source: Governor Wolf's Press Office, 6/30/2017

House, Senate, Governor Agree On \$31.996B Spending Plan, Fails To Address ANY Environmental Funding Shortfalls

The Senate, House and Gov. Wolf reached a bipartisan agreement Thursday on a \$31.996 billion General Fund budget -- [House Bill 218](#) (Saylor-R-York)-- which the Senate (43-7) and House (173-27) passed Friday and sent to the Governor.

The budget includes more money for schools, pension obligations and services, but demands across-the-board cuts state government agencies and in Medicaid.

But, the budget fails to address any environmental funding shortfalls, including in

DEP's Safe Drinking Water Program [criticized by EPA for failing](#) to have the resources to meet minimum federal requirements for inspections and other obligations.

DEP's General Fund budget in the new year -- \$147.7 million -- is \$17.9 million **BELOW** what it was in 1994-95 -- \$165.6 million and 40 percent **BELOW** what it was in 2002-03 -- \$245.6 million. Plus a \$118 million balance left from FY 2015-16.

Since 2002-03, the General Assembly cut DEP's General Fund budget 40 percent.

This means DEP will have to continue to rely on permit fee increases to fund its programs.

At the same time, House and Senate give themselves a 4.8 percent raise in the new year. That means their budget has increased 77 percent since FY 1994-95 -- \$182.9 million in 1994-95 to \$325.2 million in the new fiscal year (\$142.3 million) and 26 percent since 2002-03 from \$258.1 million to \$325.1 million (\$67 million).

The FY 2017-18 spending plan also has a \$2 billion hole to fill and there is no agreement on how to fill it. The Senate and House will come back after July 4 to figure that out.

Click [here](#) for more on the options for filling the budget hole, including transfers from special funds.

Gov. Wolf proposed a \$32.3 billion budget in February and the House Republicans passed a \$31.52 billion budget in April, the same total as in FY 2016-17.

Agency Highlights

Some other budget highlights include:

DEP:

- Slight decrease from \$148.3 million to \$147.7 million, that's higher than the Republican-passed budget in April of \$139.3 million.
- Personnel line-items essentially level funded
- Conservation Districts same as last year \$2.5 million

- West Nile Virus & Zika Virus slight cut \$5.3 million to \$5.2 million
- Black Fly same as last year \$3.3 million
- Susquehanna River Basin Commission **cut in half** \$473,000 to \$237,000
- Delaware River Basin Commission **cut in half** \$434,000 to \$217,000
- Interstate Commission On The Potomac River **cut in half** \$46,000 to \$23,000
- Chesapeake Bay Commission same as last year \$275,000

DCNR:

- Slight decrease from \$106.9 million to \$105.5 million, that's higher than the House Republican-passed budget, but primarily due to a significant increase in using General Fund monies to fund agency operations, rather than the Oil and Gas Lease Fund monies. However, there is still a \$4.7 million overall increase in DCNR budget (not shown on the budget spreadsheet) as a result of a transfer from the Lease Fund. There is a total transfer of \$61.2 million from the Fund -- \$11.2 million of that to pay for DCNR State Park and Forestry operations and \$50 million to fund recreation and conservation projects ([page 366, House Bill 218](#)).
- Heritage Parks same as last year \$2.875 million

Agriculture:

- Slight increase from \$143.6 million to \$144.1 million, that's higher than the House Republican-passed budget in April, but due primarily to \$30 million in funding for the University of Pennsylvania Veterinary School
- Conservation Districts same as last year - \$869,000
- Nutrient Management Fund same as last year - \$2.7 million

Click [here](#) for the Senate Democratic summary of DCNR, DEP budget.

What's next?

The Senate, House and Gov. Wolf have to now agree on about \$2 billion in new revenue in some

form to make the FY 2017-18 budget balance. As a result, all the same options talked about of the last few weeks and months are still on the table -- massive state borrowing, gaming expansion, further liquor privatization and Tax Code.

In more detail they are:

- Special Fund transfers to the General Fund that House or Senate members believe are just sitting there “flush with cash” and not doing anything better;
- Sell or lease out state assets like the Farm Show Building or something else;
- Borrow \$1.5 billion against tobacco settlement revenue or securitize some other revenue stream to pay for paperclips and fill the General Fund revenue hole;
- Approve 40,000 video gaming terminals for everyone with a liquor license;
- Extend the state Sales Tax to warehousing and storage;
- Redirect the local share of the present casino tax revenues to the state General Fund, along with adopt new casino license fees;
- Authorize beer, wine and spirits sales in more private outlets; and
- Shift the Sales Tax on bottles of wine and spirits from the bottle bought by liquor license holders to the individual drink bought by consumers.

We’ll see what happens!

Source: PA Environmental Digest, 7/3/2017

Availability of the Non-Regulatory Agenda

The Department of Environmental Protection provided notice of the availability of the Non-Regulatory Agenda, available at <http://www.elibrary.dep.state.pa.us/dsweb/View/Collection-11958>.

Questions should be directed to Abbey Cadden, Technical Guidance Coordinator, Department of Environmental Protection, Policy Office, 400 Market Street, PO Box 2063, Harrisburg, PA

17105-2063, (717) 705-3769 or <mailto:ra-epthepolicyoffice@pa.gov>.

Source: Pennsylvania Bulletin, [7/1/2017](#)

Large Crowd Greet Phillips-Hill, House State Government Committee for Government Overreach Hearing

Local residents, representatives from nearby municipalities and golf course superintendents from across the state filled the Shrewsbury Borough Office Building on June 26, 2017 as the House State Government Committee hosted a hearing on allegations of overregulation and overreach by the Susquehanna River Basin Commission (SRBC).

"Seeing a large number of people travel a significant distance to fill a southern York County borough building on a Monday morning speaks to the gravity of this issue," said Kristin Phillips-Hill (R-York Township), a member of the committee that hosted the hearing. "I knew the impact SRBC's actions have had on local water bills would draw a large crowd. Today, borough residents found out they are far from alone in their anger.

"To them, the turnout is a comfort. To taxpayers, the reason for it should be a disappointment."

Testifiers from municipalities in Adams, Cumberland and Lancaster counties joined Richard "Buck" Buchanan, president of Shrewsbury Borough Council, who feels his town of less than 4,000 residents is being unduly penalized.

"I understand the General Assembly is considering severely cutting and maybe eliminating SRBC funding," Buchanan said. "If that happens, the commission could still survive on its fund balance and excessive fines it imposes. Shrewsbury Township, which is adjacent to us, pays nothing to the commission. The borough of Shrewsbury is cutoff (nearly 28 miles) from the Susquehanna River, yet we 'contribute' significantly to its \$40

million fund balance. We're being penalized for having a responsibly managed public water supply."

The hearing also drew a number of representatives from golf courses, one of which is being charged by the SRBC for water usage from wells that sit on its own property. Actions such as these prompted comments from one testifier whose company specializes in economic development, land use planning and zoning.

"The federal-interstate compact commission that created the SRBC in the 1970s did not intend it to be a regulatory agency," said Thomas Shepstone of Shepstone Management Company in Honesdale, Wayne County. "Executive Director Andrew Dehoff testified they've lost money on reviews they've performed. Maybe they're spending too much time on reviews."

Dehoff did mention the commission's recent decision to deepen the municipal discount and not increase fees. This fact was little consolation to Phillips-Hill.

"The damage is already done," she added. "Shrewsbury Borough was forced to hike water rates three times over seven years to pay for an unnecessary computerized monitoring system. A Lock Haven utility is facing a more than \$100,000 bill from the commission for field work already performed by the Department of Environmental Protection.

"The ball is now in the Legislature's court. We don't plan to sit still and allow the SRBC to continue to exercise power it doesn't truly have."

Source: Rep. Phillips-Hill Press Release, 6/26/2017

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