

**MCA
Summary of Legislation
July 2007**

Job Training Money Restored In Final Budget

The Commonwealth budget was finally enacted more than two weeks after the June 30th deadline. Many programs that looked to be cut by earlier versions of the budget were restored including most of the workforce development funds. Many labor-management training programs throughout Pennsylvania benefit from the training funds as do regional partnership efforts and even the State Helmets to Hardhats program. In addition to the restoration of the training funds, the budget includes appropriations for additional capital projects including a new arena for the Penguins hockey team and more funding for the Philadelphia convention center.

Design-Build Proposal Scrapped

Language in the Capitol Budget bill that would have established a design-build mandate for certain prison projects was scrapped when it became clear that it made the Separations Act optional. The House Appropriations Committee added an amendment to Senate Bill 798 that established a procurement system under which the Department of General Services would award a single design-build contract for the prisons and then the design-build entity may be required to comply with the separate primes requirement. Supporters of the Separations Act viewed this as essentially undermining the purpose of having separate primes and mounted an effort to amend the bill. Ultimately, the bill was amended to revert to the form previous to the design-build provision being added. Senate Bill 798 was then sent to the Governor.

Even though the design-build and anti-separate primes language did not make it to the Governor, it should be mentioned that it was the Governor’s Office that had created the amendment in the first place. At this time it is not clear if the Administration will continue to push for authorization to do projects like the design-build proposal that was removed from Senate Bill 798.

Transportation Funding Enacted

Major changes to how highway construction, bridge repair and mass transit will be funded were enacted as part of the overall spending plan passed by the General Assembly this month. **HB 1590**, sponsored by Rep. Joe Markosek, D- Allegheny, the Democratic Chairman of the House Transportation Committee, passed both chambers and was the subject of intense negotiations between House and Senate leaders and the Rendell Administration. The primary source of new funds will come from bonds, increased turnpike fares and the tolling of Interstate 80. The plan also allows for an Allegheny County to impose up to a 10% “drink tax”, similar to one levied in Philadelphia currently. HB 1590 was the final key piece in the budget puzzle, and became **Act 44** on July 18. Key provisions are outlined below, thanks to Senate staff analysis.

NEW TRANSPORTATION FUNDING INITIATIVE

Beginning in fiscal year 2007-08 the Pennsylvania Turnpike Commission (TPC) and the Department of Transportation (PennDOT) will enter into a public-public partnership in order to deliver one of the largest infusions of money into roads, bridges, and transit in the history of the Commonwealth. The TPC will enter into a fifty-year lease agreement which will require it to make payments to PennDOT. In return, the TPC will be allowed to toll and operate Inter-state 80.

Below is a chart of scheduled payments from the TPC to PennDOT:

| Fiscal Year | Total Transfer to PADOT | Funding for Transit | Funding for Roads and Bridges |
|-------------|-------------------------|---------------------|-------------------------------|
| 2007-2008 | \$750M | \$300M | \$450M |
| 2008-2009 | \$850M | \$350M | \$500M |
| 2009-2010 | \$900M | \$400M | \$500M |
| 2010-2011+ | \$900M + 2.5%cola | \$400M+2.5%cola | \$500M +2.5%cola |

The TPC will meet these financial requirements in three ways: by issuing up to \$5 billion in Motor License Fund backed bonds*; using excess Turnpike spine-line revenue and monetizing future spine-line revenue; and using excess Interstate-80 revenue and monetizing future Interstate-80 revenue.

*The debt service on the bonds backed by the Motor License Fund will be paid by the Commission. The issuance of these bonds will have no effect on the amount of funds available in the Motor License Fund.

Transit Funding Changes

HB1590 completely restructures the way mass transit is funded in Pennsylvania. While some of the sources of funding remain the same, the old patchwork system of funding is repealed and replaced with one dedicated fund – the Public Transportation Trust Fund, which will be established in the state treasury.

Sources of funding: The following will be deposited into the Public Transportation Trust Fund annually.

| | PTAF Money | 4.400% of Sales Tax** | Lottery Money | TPC Money* | Act 3 Capital Commitment | TOTAL |
|----------------|------------|-----------------------|---------------|------------|--------------------------|----------|
| FY2007-08 est. | \$180.3M | \$392.8M | \$80M | \$300M | \$125M | \$1.08Bn |

*Beginning in FY2010-2011 this money will be increased by an annual 2.5% COLA (\$250M of this will be operating money in each fiscal year)

** This amount is equal to the total general fund appropriations for transit, plus the \$75M in funding from Act 3.

Distribution of Funding: The funds in the Public Transportation Trust Fund will be distributed approximately as follows:

| | Operating | Asset Improvement | Dedicated Capital | Programs of Statewide Significance | New Starts |
|-----------|-----------|-------------------|-------------------|------------------------------------|------------|
| FY2007-08 | \$785M* | \$175M** | \$75M | \$52M | *** |

* This represents a \$250M increase over their current operating funding

** Initially this allocation will consist of the proceeds of Commonwealth capital bonds which will be supplemented by \$50M from the TPC in FY2007-08, in FY2008-09 this will be supplemented with \$100M from TPC, in FY2009-10 with \$150M, and in FY2010-11 forward FY2011-2012 increased by 2.5% annually

*** PADOT is authorized to spend up to \$50M a year on matching funds for Federal New Start programs.

Transit Provisions

New Operating Money- The legislation will provide a new infusion of operating money for transit agencies. This money will be available immediately to alleviate pressing budgetary needs and grow in the future to insure financial stability. This money will be distributed to transit agencies based on performance statistics in order to ensure an equitable distribution.

Simplified Dedicated Growing Funding- Funding for transit agencies will be completely overhauled under the new legislation. The current patchwork system of funding will be repealed and the funding that transit agencies are currently receiving will be replaced by a revenue neutral dedicated portion of the Sales and Use Tax. This will ensure that transit agencies have a reliable and growing source of funding in the future.

Dedicated Capital Money- In order to help transit agencies better maintain their current capital and allow them to fulfill outstanding bond covenants, a portion of the Transportation Trust Fund will be driven out to the transit agencies on a formula basis so that they have a steady reliable stream of capital funding.

New Needs-Based Capital Money- The Turnpike Commission will transfer money to PennDOT to be used for additional capital assistance to transit agencies. These funds will be distributed to the transit agencies based on their demonstrated need

Funding for Programs of Statewide Significance- Programs of statewide significance, such as the Persons with Disabilities program will be fully funded using a dedicated portion of the Public Transportation Trust Fund.

Roads and Bridges Provisions

New Growing Source of Funding- The legislation will provide PennDOT with a much needed infusion of new money to address the current crisis facing Pennsylvania's Roads and Bridges. This money will both be available immediately and grow in the future. These funds will be distributed on needs-based formulas that are developed and revised by PennDot and Pennsylvania's Rural and Metropolitan Planning Organizations on a periodic basis.

Dedicated Funding for Special Needs- 15% of the funds deposited into the Motor License Fund from the TPC will be set aside to be used at the Department's discretion as contingency funds in case of changes to existing project costs or unforeseen funding needs.

Dedicated Funding for localities- the legislation provides for \$35M a year to be distributed to localities for maintenance of their roads and bridges.

Other Provisions

Local taxation authority- Second Class Counties will have the option of imposing a new tax on liquor-by-the-drink or car rentals.

MOTOR LICENSE FUND

The Motor License Fund is the central repository for the taxes and fees that have been placed on gasoline, diesel fuel, alternative fuels, Motor Carrier Road Tax, Vehicle Registration and titling, driver licenses, taxes on oil franchise companies, liquid and alternative fuels, fees received from other states, and vehicle code fines.

The official Motor License Fund revenue estimate was \$2.322 billion for the 06-07 fiscal year. The actual revenue for the 2006-07 fiscal year was \$2.295 billion. Prior year lapses increased from \$58 million in 2006-07 to \$76.13 million in the 07-08 fiscal year.

Highway Maintenance

The 2007-08 budget proposals for state highway and bridge maintenance provides \$900 million under the "Highway Maintenance" heading and cited in PennDot budget proposal documents (E40.15). Highway Maintenance programs under this broad heading of "Highway Maintenance" include "Smoother Road and Priority Bridges", "Highway Maintenance" is driven out to the counties by formulae on a ten year basis. The "Bridge Preservation program" will receive \$18 million of the \$900 million.

Highway Construction

The FY 2007-08 budget proposal provides \$581.16 million in state funds for Highway Construction. In the 06-07 fiscal year \$613 million was appropriated for highway construction. The final budget's level of funding for the 07-08 fiscal year reflected the proposed level of funding in the Governor's budget. Under the umbrella heading of Highway Construction are programs such as: "Highway and Safety Improvements", "Highway Capital Projects," "Security Walls", Highway Capital Projects, (EA) "Highway Bridge Projects (EA)" and the "Bridge program" (EA). These funds will be used to begin construction and reconstruction work on interstates and state highways that contribute to the Commonwealth's economy and provide mobility for its people. With the appropriated level of funding for Highway Construction 25 miles of new highway will be constructed, 75 miles of Interstate highway restored and 232 bridges repaired or replaced (without \$450 million). A portion of the \$450 million for the 07-08 fiscal year found in **HB1590** will find its way to Highway Construction especially for deficient bridges.

Legislative Activity

HB 647 RE: Crane Operator Licensure Act (by Rep. Mario Civera, et al)

Establishes the State Board of Crane Operators within the Department of State. Composition of the Board, its operation and powers and duties are further provided for in the legislation. The bill states that **an individual may not operate a crane, offer himself for employment as an individual who may operate a crane or hold himself out as a crane operator unless licensed by the board.** For purposes of acquiring the experience necessary to obtain certification, a trainee who has passed a written examination of the national commission for the certification of crane operators or of a national association deemed equivalent by the board may operate a crane when under the immediate supervision of a crane operator. A license would only be valid in conjunction with certification and only in the specialty for which the crane operator is certified. A license would be issued on a biennial basis. The bill provides for fines and penalties for violations and for revocation and suspensions of licenses. The \$85,000 would be given to the department for the administration of this act. Within 18 months of the effective date of the bill, the board would have to promulgate regulations to carry out the act.

Passed House, 6/27/2007 (137-63)

Referred to Senate Consumer Protection & Professional Licensure Committee, 6/30/2007

HB 894 RE: Referendum or Public Hearing Required Prior to Construction (by Rep. Daylin, Leach, et al)

Amends the Public School Code further providing for referendum or public hearing required prior to construction or lease by adding that building construction cost would not include the additional cost involved in the building construction of a school that meets the Leadership in Energy and Environmental Design (LEED) standards as established and published by the United States Green Building Council. It also adds that an estimate of the "operating cost" (as defined in the legislation) of the building be included in the information required to be submitted to the Department of Education 30 days before the hearing.

Passed House, 6/30/2007 (198-2)

Referred to Senate Education Committee, 6/30/2007

HB 1286 RE: 2007-08 Budget (by Rep. Dwight Evans)

Provides for the state's spending plan for fiscal year 2007-08.

Passed House, 5/23/2007 (102-97)

Passed Senate, amended, 6/20/2007 (49-1)

House non-concurred in Senate amendments, 6/30/2007 (102- 96)

Senate insists on its amendments non-concurred in the House, 7/3/2007

House insists on its non-concurrence in Senate amendments, 7/15/2007

Conference report presented in the Senate and House, 7/15/2007

Senate adopted conference report, 7/16/2007 (46-2)

House adopted conference committee report, 7/16/2007 (140-63)

Signed in the House and Senate, 7/16/2007

Approved by the Governor, 7/17/2007 Act No. 8A

HB 1408 RE: R-CAP Ceiling (by Rep. Dwight Evans)

Amends the Capital Facilities Debt Enabling Act by increasing the limitation on redevelopment assistance capital projects for which obligations are outstanding from \$2,650,000,000 to **\$3,150,000,000.**

Passed House, 6/30/2007 (112-88)

Referred to Senate Finance Committee, 7/3/2007

HB 1590 RE: Mass Transit/Turnpike Tolls/Drink tax (by Rep. Joe Markosek, et al)

Provides for conversion to toll roads and for conversion of Interstate 80, for application, for lease of Interstate 80, for payments, for other interstate highways, for fund distribution, for impact, for financial plan and for nonperformance; in taxes for highway maintenance and construction, providing for definitions; further providing for imposition and for allocation of proceeds; providing for special revenue bonds, for expenses, for application of proceeds of obligations, for trust indenture, for exemption, for pledged revenues, for special revenue refunding bonds, for remedies, for Motor License Fund proceeds, for construction and for funding; and making related repeals.

This bill provides for an alcohol tax, similar to the current drink tax imposed in Philadelphia, to be authorized in Allegheny County. It was a major part of the Governor's budget plan.

Passed House, 6/27/2007 (105-96)

Passed Senate, amended, 7/16/2007 (30-19)

House concurred in Senate amendments, 7/17/2007 (124-79)

Approved by the Governor, 7/18/2007 Act No. 44 2007

SB 333 RE: "Public Work" (By Sen. Mike Waugh, et al)

Amends the PA Prevailing Wage Act by adding that "public work" includes combination rehabilitation/reconstruction projects where non-maintenance items exceed 15% of the total project cost; and "maintenance work" includes the following actions taken on roads: (1) replacement in kind, or compliance with current Department of Transportation design criteria and standards, of guide rails, curbs, pipes, line painting and other related road equipment; (2) repair of pavement service by laying bituminous material up to three and a half inches thick or up to four hundred twenty pounds per square yard on asphalt pavement, cement, concrete or other hard surface, including associated milling, and related work raising existing paved shoulders to new grade; or patching of cement or concrete surface to include joint spalling and repair work; (3) widening of existing alignment which does not result in additional lanes or new shoulders; and (4) bridge cleaning, washing, resurfacing with blacktop, minor non-structural repairs or improvements and painting except when combined with complete bridge rehabilitation. The bill adds that **"public work" means construction where the estimated cost of the total project is in excess of \$175,000 (increased from \$25,000)**. For the 12-month period beginning December 1, 2007, through November 30, 2008, and every year thereafter, the estimated cost threshold for public work projects would be increased by an annual cost adjustment.

Laid on the table, 6/27/2007

SB 437 RE: PA Construction Code Amendments (By Sen. Bob Regola, et al)

Amends the PA Construction Code Act further providing Section R404.1 and Tables R404.1(1), R404.1(2) and R404.1(3) of the 2006 International Residential Code are not a part of the Uniform Construction Code. The bill also provides for the provisions which would apply to the Uniform Construction Code regarding concrete and masonry foundation walls.

Passed Senate, 3/20/2007 (50-0)

Passed House, amended, 6/6/2007 (194-0)

Senate concurred in House amendments, 6/13/2007 (Vote: Y: 50/N: 0)

Signed in the Senate, 6/13/2007

Signed in the House, 6/18/2007

Approved by the Governor, 6/27/2007. Act No. 9 of 2007

SB 798 RE: 2007-08 Capital Budget (by Sen. Gibson Armstrong)

An act providing for the capital budget for the fiscal year 2007-2008, which provides \$752,000,000 for capital projects. The bill also authorizes the Department of General Services to pay for the settlement or award of claims arising from construction contracts for public improvement projects from available funds in accounts within the Capital Facilities Fund that include funds no longer required for the design, acquisition or construction of any approved capital project.

Reported as amended from House Appropriations Committee, 7/15/2007

Motion to revert to prior Printer Number 923, adopted, 7/17/2007

Passed House, 7/17/2007 (162-41)

Signed in the House and Senate, 7/17/2007

Approved by the Governor, 7/17/2007. Act No. 43 of 2007

New Bills Introduced

HB 1599 RE: Corporate Net Income Tax (by Rep. Michelle Brooks, et al)

Amends the Tax Reform Code further providing, in corporate net income tax by decreasing the tax in phases to 7.99% in 2009. The bill also provides for the definition of "taxable income" by adding that for taxable years beginning after December 31, 2007, all business income would be apportioned to this State by multiplying the income by a fraction, the numerator of which is the sum of ten times the property factor, ten times the payroll factor and eighty times the sales factor and the denominator of which is one hundred.

Referred to House Finance Committee, 6/29/2007

HB 1682 RE: Construction Code Officials (by Rep. Eddie Day Pashinski, et al)

Amends the Main Street Act providing the Main Street Program would at a minimum include basic grants, for up to five years, for the administrative costs associated with the hiring of a construction code official.

Referred to House Labor Relations Committee, 7/3/2007

HB 1688 RE: Prevailing Wage (by Rep. Sam Rohrer, et al)

Amends the Pennsylvania Prevailing Wage Act exempting all construction and repair work on roads and bridges except those roads receiving federal funding. Also reduces the number of members of the Advisory Board from 7 to 5 and the number of members of the Appeal Board from 7 to 5.

Referred to House Labor Relations Committee, 7/3/2007

HB 1707 RE: Prevailing Wage (by Rep. Ron Marsico, et al)

Amends the Prevailing Wage Act excluding political subdivisions from the act; and authorizing optional prevailing wage ordinances.

Referred to House Labor Relations Committee, 7/6/2007

SB 1011 RE: School Contracts (by Sen. Jeff Piccola, et al)

Amends the Public School Code by exempting from the Act entitled "An act regulating the letting of certain contracts for the erection, construction, and alteration of public buildings" any person, entity, contract or activity provided for by this act. The minimum cost for the work to qualify for the exception is raised from \$10,000 to \$75,000. The bill also provides that written or telephonic price quotes would be required for contracts that exceed \$25,000. It also raises the maximum cost of work allowed to be handled directly by school maintenance personnel from \$5,000 to \$25,000 and allows the secretary of the board or other executives to award contracts for construction where the cost is under \$75,000. For work to be done under contracts for bids, light, heat and water the minimum term for a contract is raised from 5 to 10 years and on the purchase of supplies the limit was raised to \$50,000 before public notice had to be given. On the issue of providing for list of names for schools, the responsibility is shifted to the Secretary of Education, who will receive a report compiled by the district superintendent every three years.

Referred to Senate Education Committee, 6/26/2007

Referred to Senate Education Committee, 6/30/2007

2007 Senate Fall Session Schedule

The following are the remaining scheduled session days for the Senate in 2007:

| | |
|------------------|--|
| September | 17, 18, 19, 24, 25, 26 |
| October | 1, 2, 3, 15, 16, 17, 22, 23, 24, 29, 30 |
| November | 13, 14, 15, 19, 20, 27, 28 |
| December | 3, 4, 5, 10, 11, 12 |

2007 House Fall Session Schedule

The House has not announced the scheduled session days for the fall in 2007.

Copies of all bills of interest can be accessed via the Internet at:

<http://www.legis.state.pa.us/WU01/LI/BI/billroom.htm>.