

Non-Tax Revenues Available to Help Balance Budget without Tax Increase

Reap the Full Benefits of the State's Purchasing Power

— Expand the Use of Purchase Cards (P-Cards)

- Make P-Cards, similar to debit cards, the preferred method of payment for most goods and services purchased in Pennsylvania.
 - No cost for payments with a P-Card.
 - Faster/more efficient/easier audit trail.
 - Rebates (cash back): the state receives 145 basis points, or almost 1.5 percent back, for every dollar spent. The more purchases made with a P-Card, the greater the rebate to the state.
 - Timely payments mean vendors offer better pricing, potentially 10 percent to 20 percent
 - Potential for significant administrative savings.
 - National Association of Purchasing Card Professionals (NAPCP) estimates the transactional cost of a purchase order and payment process range from \$50 to \$250.
- State purchased \$21.6 billion in goods and services in 2009 with 1.5 million transactions.
 - Four payment types.
 - ACH payments: \$15.3 billion/451,992 transactions (28 percent of transactions).
 - Check payments: \$6 billion/1.1 million transactions (71 percent of transactions).
 - P-Card payments: \$140.6 million (<1 percent of transactions).
 - Wire payments: \$94 million (<1 percent of transactions).
- *Revenue Potential/Cost Savings:*
 - \$62 million to \$219 million annually (using existing rebate of 145 basis points).
 - \$62 million using rebates @ 20 percent of total transactions.
 - \$219 million using rebates @ 70 percent of total transactions.
 - Additional savings are possible if the state were to renegotiate the rebate rate based on an increased P-Card transaction volume.
 - These figures DO NOT include anticipated administrative/back-office savings.

Transform Pennsylvania to an Entrepreneurial Government

— Process Other State's Supplemental Security Income (SSI) Payments

- Pennsylvania could generate millions annually and save other states significant money by processing their SSI payments at a reduced fee.
- Nine states (CA, NY, TX, MA, NJ, NV, RI, HI, VT) and D.C. pay the Social Security Administration (SSA) more than \$300 million annually to process SSI payments.
- The SSA processes payments on the state's behalf for a fee of approximately \$12 per transaction.
- Pennsylvania began processing its own SSI payments in 2003, the only state to process SSI payments in-house, saving \$35 million.
- *Revenue Potential/Cost Savings:*
 - \$50 million to \$152 million annually.

Improve Operational Efficiency and Effectiveness

— Correct Tax Refund Errors

- The Department of Revenue could save taxpayers money by correcting its 10 percent to 12 percent error rate in processing tax refunds.
- The department currently processes approximately two million refund checks annually, with the average refund valued at \$250.
- *Revenue Potential/Cost Savings:*
 - \$50 million annually

— Right-size and Re-think the State's Vehicle Fleet Management

- Substantial savings could be realized if the state:
 - Reduced the size of its fleet by a third.
 - Required state employees to use rental vehicles for trips more than 100 miles.
- It costs taxpayers \$72.5 million annually to maintain the state fleet.
- There are 16,637 vehicles in the state fleet and this does not include the Department of Transportation where there is one vehicle for every five employees.
- In 2008, Pennsylvania spent \$24 million on mileage reimbursement of state employees who used their personal vehicles for state travel.
- *Revenue Potential/Cost Savings:*
 - \$36 million annually
 - \$24 million by reducing state fleet by a one-third.
 - \$12 million by renting vehicles for trips more than 100 miles.

— Eliminate Medicaid Eligibility Errors

- Pennsylvania is misappropriating millions of dollars annually via Medicaid eligibility errors.
- Pennsylvania Auditor General Jack Wagner identified a 14 percent error rate for this program after a review of nearly 12,000 Medicaid applications in 53 of 67 counties in August of 2009.
- DPW claims a 4 percent error rate.
- Medicaid in Pennsylvania is a \$16 billion a year program, with approximately 50 percent funded by the state.
- If error rate is 4 percent, DPW is misappropriating \$320 million annually.
- The state can recoup 90 percent of these errors by establishing an Income Eligibility Verification System which matches the Social Security number of applicants with 19 different federal and state databases
- *Revenue Potential/Cost Savings:*
 - \$288 million to \$1 billion annually.

— Improve Compliance with PA's Unclaimed Property Laws

- Property deemed forfeited is not being reported
- Since 2006, revenue from unclaimed property has dropped below the \$200 million threshold averaging \$87 million per year
- Currently, the compliance rate is only 50 percent
- *Revenue Potential/Cost Savings:*
 - \$50 million to \$80 million annually

Strengthen Pennsylvania's 21st Century Business Climate

— Adopt the National Conference of State Legislature's (NCSL) Voluntary Streamlined Sales and Use Tax Agreement

- Pennsylvania is missing out on \$706 million annually in uncollected sales and use taxes for electronic and non-electronic business-to-consumer (B2C) and business-to-business (B2B) transactions.
- In 2001, 35 states, including Pennsylvania, enacted legislation to participate in a streamlined sales tax effort to provide justification for Congress to overturn the Bellas Hess and Quill Supreme Court decisions
- To date, 23 states have complied with this agreement and more than 1,200 remote sellers have volunteered to collect under the new system
- NO business would be required to participate...it is strictly voluntary
- But by adopting this agreement, Pennsylvania will have more than 1,200 remote sellers across 23 states collecting sales tax for the Commonwealth
- *Revenue Potential/Cost Savings:*
 - \$21 million (based on historical 3 percent participation)

Total Savings: \$557 million to \$1.56 billion