

The Bulletin



May 25, 2012

General Assembly Aims for Pre-Deadline Passage of No-Tax Budget

The Republican Majority Caucuses in the House and Senate are shooting for June 15 for approval of a General Fund Budget for Fiscal Year 2012-2013. That's two weeks before the current fiscal year ends on June 30. Republican leaders, moreover, say they are sticking to last year's pledge of not raising taxes to meet the constitutional requirement of approving a balanced budget.

Total spending will fall somewhere between the budget proposed by Governor Tom Corbett in February and another approved by the State Senate the week of May 7, according to caucus sources. "We're all agreeing the Senate plan is the ceiling," said one House Republican Caucus source. "Where the final number ultimately comes down is still up in the air."

This week, the House Appropriations Committee positioned the budget bill for a floor vote by approving the Senate's \$27.65 billion budget plan. House Appropriations Chairman Bill Adolph (R-Delaware) made a motion requiring that amendments to Senate Bill 1466 be revenue neutral, which passed on a party-line vote. Republican leaders say they plan to consider floor amendments the week of June 4, when members return after the Memorial Day recess.

A recent revenue collection report, though positive, has complicated the budget debate. The state's Independent Fiscal Office said the General Fund deficit would end up far shy of the \$719 million predicted in February by the Governor's Budget Office. Many Democrats jumped on the numbers, saying the General Assembly could now afford to restore most or all of the proposed spending reductions. The Governor's office and many Republicans are cautious, saying that the May revenue collection numbers will not be as robust as the April numbers. Adolph noted that the mid-May revenues are coming in lower than projected for the month.

Overall, the Senate plan increases the Governor's proposed \$27.15 billion budget to \$27.65 billion. It also includes \$245 million in funds for higher education, a 97-percent restoration of the \$253 million reduction under the Corbett plan.

Other news of note: Senate and House Republican leaders say the General Assembly will not hold a "lame duck" session – the period after the November General Elections but prior to the constitutional end of the 2011-12 legislative session on November 30. In years past, legislators who were retiring or had been defeated were allowed to vote on consequential matters during this post-election *sine die* period. The leaders alluded to that tradition in a joint statement.

"This will be the third consecutive legislative session in which the Senate does not convene for a lame-duck session," said Senate President Joe Scarnati (R-Jefferson). "This decision reflects our ongoing commitment to ensuring that members of the General Assembly are accountable to the public for the decisions we make."

"This legislative session has seen a remarkable number of reform-related bills signed into law," said House Majority Leader Mike Turzai (R-Allegheny). "New laws will create an online

budget database, strengthen the Sunshine Law, and reform the regulatory process. This announcement is another significant step forward in our commitment to change how Harrisburg operates."

Bipartisan Rescue Plan Underway for Financially Strained Unemployment Compensation System

Prior to its summer recess, the General Assembly may approve legislation that will both repay a large debt owed to the federal government for covering billions in Pennsylvania unemployment compensation payments, and help restore solvency to the financially stressed system.

The plan by the Corbett Administration reportedly has business groups and most organized labor groups on board, according to sources in the Administration. At the same time, the Administration is waiting to reveal final language of the bill until it is introduced in the General Assembly. That could be as early as the week of June 4, when lawmakers return to session after the Memorial Day break.

"The two major portions are floating bonds to pay off the debt -- everyone seems to be on board with that," one Administration source said. "The other side of it is saving money in the system and that gets [more challenging]."

Another source said the major money saving provision in the bill will tighten eligibility. The Administration estimates it will save up to \$300 million each year with the move.

Pennsylvania owes the federal government \$3.87 billion to repay funds borrowed by the state to cover UC benefits through the recession. Additionally, the Unemployment Compensation Trust Fund is still spending beyond its capacity: in 2011, it paid out \$3 billion in benefits while collecting \$2.7 billion in employer and employee taxes.

Another option would be to increase the taxes employers pay to underwrite the trust fund. They already cover 93 percent of the cost.

"Uncompetitive UC rates raise the cost of creating and keeping jobs in Pennsylvania," said PMA Executive Director David N. Taylor. "Everyone recognizes that reforming our unsustainable UC system is an important and necessary step for our economy. If we want to keep Pennsylvanians working, our UC system must be modernized, starting with the bipartisan solvency plan."

Today, the state funds the first 26 weeks of UC benefits. Forty-seven additional weeks are available through federally-funded emergency unemployment compensation.

Shale Jobs Benefit Pennsylvanians, Here to Stay

Business and labor leaders rallied in Harrisburg Monday, May 21 to respond to criticisms that the Marcellus Shale jobs are short-term and not going to Pennsylvanians.

Abe Amoros, Legislative Director for Laborers' International Union of North America, praised the expansion of union job opportunities as a result of the shale boom.

"Marcellus Shale has been a tremendous boost for our members," Amoros said. "We're glad these jobs are here to stay and will be around for at least a generation."

The statistics support the pep rally talk. Figures from the Pennsylvania Department of Labor & Industry show that 74 percent of new hires in the drilling in 2011 came from within Pennsylvania. The numbers include jobs in the core drilling business only. An even higher percentage of jobs created in related businesses go to Pennsylvanians.

In other Marcellus Shale news, Penn Virginia Resource Partners, L.P., of Radnor, announced that it's planning \$380 million in expansions to its Lycoming County pipeline to begin in the next two weeks and be finished later this year.

Similarly, a \$1 billion, 200-mile "Commonwealth Pipeline" has been proposed to carry Marcellus gas from the northern tier south through Dauphin County to markets in southeastern Pennsylvania, Baltimore, and Washington, D.C. The Commonwealth project is predicted to be complete by early 2016, but has not yet begun the regulatory process with the federal government.

Prevailing Wage One of the Most Expensive Unfunded Mandates for Local Governments

The state's 1455 second-class townships now include prevailing wage reform as part of their campaign to stop the state and federal governments from enacting local government mandates without providing the funding.

"We've been battling unfunded mandates for years," said David Sanko, Executive Director of the Pennsylvania State Association of Township Supervisors (PSATS). "A few months ago it was just logical to include the prevailing wage because it's one of the biggest unfunded mandates, costing taxpayers millions they should not have to pay."

Unfunded mandates were the theme at PSATS annual convention in Hershey the week of May 14. Township officials wore green campaign-style stickers featuring a rifle's crosshairs over the words "Unfunded Mandates".

Sanko's group estimates that prevailing wage law increases the cost of public projects financed by taxpayer dollars from 20 percent to 30 percent.

School districts and local governments are mandated by state law to pay prevailing wages on any public works construction contract over \$25,000. These wages generally approximate union-scale wages for metropolitan areas and often far exceed comparable wages paid in the locality for the same type of work in the private sector.

Even modest modernizations of the law would save the taxpayers significant amounts. Legislation awaiting action on the House floor, HB 1329, would increase the prevailing wage threshold from \$25,000 (set in the early 1960s) to \$185,000 (the same amount in today's dollars) and adjust this amount annually to reflect the Consumer Price Index.

"The taxpayers deserve to get maximum value out of the dollars government takes from us," said PMA Executive Director David N. Taylor. "It shouldn't be difficult to update the threshold on 'prevailing wage' to reflect how life has changed since John F. Kennedy was President. Any elected official who can't agree to such a minimal, common sense reform has no respect for the taxpayers and is not serious about making government live within its means. When individuals, families, and businesses continue to do more with less, the least state government can do is correct a policy price tag that predates Beatlemania."

New Director of Government Affairs



We're pleased to announce that beginning May 29th, Carl Marrara will be joining PMA as our new Director of Government Affairs. Carl previously served as the Government Relations Manager for the Pennsylvania Pharmacists Association (PPA). Prior to PPA, Carl worked as an Issue Manager with the Pennsylvania Business Council (PBC). At the PBC, Carl focused on integrating policy development with innovative communication strategies. In college, Carl interned with Pennsylvanians for Effective Government and worked on the successful campaign of Senator Mike Folmer. Carl graduated from Elizabethtown College with a Bachelor of Arts in Political Science. He is currently completing his Master of Arts

in Public Policy with New England College and is expected to graduate in December 2012. Carl serves as the President of the Harrisburg Chapter of Elizabethtown College Alumni and sits on the Elizabethtown College Alumni Council. In addition, Carl serves on the Silver Spring Township Recreation Advisory Council and he is a member of the Harrisburg Young Professionals and the Pennsylvania Association of Government Relations. He currently resides in Mechanicsburg with his wife Kelly.