



# The Bulletin

March 16, 2012

## House Remains Shy of Votes for “Prevailing Wage” Reform, Other Pro-Growth Initiatives

Inaction on a bill that modernizes the state’s “Prevailing Wage” law is shortening tempers in the House Republican Caucus and clogging up movement on a series of other legislative initiatives backed by the business community, legislative sources and business officials say.

“The legislation has gained significance beyond its reach,” said PMA’s Executive Director, David N. Taylor. “We expected approval weeks ago. Now it’s become a focus of frustration over other bills stuck in the process.”

The legislation, HB 1329, updates the minimum threshold of public funds, from \$25,000 (set in 1961) to \$185,000 (today’s equivalent), which must be spent on a capital project before it falls under the prevailing wage. The bill also ties future annual increases of the threshold to the Consumer Price Index.

House Republicans yet again planned to run the measure on the floor the week of March 12 but again fell a few votes short.

“We were about three votes short and one of our ‘yes’ votes was on vacation,” said a source in the Republican Caucus. “When we can secure the votes we need, we’ll run it.”

The House Republican Caucus, despite its 110-87 lead (six seats are vacant), loses some votes from members in the five county southeast and Wilkes Barre-Scranton areas, where organized labor has a strong base.

Taylor said HB 1329 is one in a series of legislative initiatives that would modernize the scope of the “prevailing wage” law. “It would exempt about 50 percent of the projects, but would only reduce costs by about three percent,” Taylor said. “We’re not talking about a big change here. That’s part of what makes this so frustrating.”

Other “prevailing wage” bills lined up on the runway include one, HB 1271, that would effectively remove highway maintenance projects from the scope of the act. Two others that allow school districts, HB 709, and local governments, HB 1191, to opt out of the law likewise await action.

Business leaders say that the failure to secure votes for the “prevailing wage” reforms is spilling over to other proposed business initiatives as well. One measure, HB 1976, would restrict venues when a civil action is taken against a business. The change resembles reforms enacted in 2003 for health care providers. Since then, actions against the medical community have plummeted.

The House Judiciary Committee cleared HB 1976 last December. It has yet to see action on the House floor.

The state's Prevailing Wage Act sets a minimum hourly wage on construction projects financed with public money. Business leaders, and many local government official and school districts leaders contend the wage applied is typically the regional union wage, and needlessly increases the costs of thousands of tax-payer funded projects.

The "prevailing wage" laws are outdated and discriminatory, according to Matt Brouillette, President and CEO of the Commonwealth Foundation for Public Policy Alternatives. In testimony Brouillette delivered before the House Labor & Industry a year ago, he said that over the last 30 years ten states repealed their "prevailing wage" laws.

Brouillette added that construction companies forced to pay union-inflated wages will pay upwards of 30 percent more for labor while adding no additional value.

"This adds a little more than 20 percent to every taxpayer-funded construction project, resulting in an estimated \$1 billion more in public costs."

Lawmakers return to session the week of March 26.

### **State's Debt Load Targeted in Measure Shrinking Capital Projects Fund**

A measure that targets the state's growing debt load by condensing a capital projects program, the Redevelopment Capital Assistance Program (RACP), to one-third of its size cleared the House the week of March 12.

The bill's (HB 1275) fate in the Senate, however, is uncertain, business officials say.

"A lot of it's going to depend on how much the Governor insists on having this done as part of the budget negotiations," one business lobbyist said.

In a March 9 letter to House Majority Leader Mike Turzai, R-Allegheny, Governor Corbett wrote that he supports "numerous reforms to the Redevelopment Capital Assistance Program (RACP) so that the program is focused on transformative economic development jobs and job creation."

The legislation would take the debt ceiling of the RACP from \$4 billion to \$1.5 billion in stages. Republican leaders noted that in 1999, the start of the RACP program, the debt ceiling was \$1.2 billion. Lawmakers increased it six times to reach its current level of \$4 billion. Republican lawmakers said that approximately 8,000 projects have been added to the program's list since 1999.

The bill would begin to thin out a list of 8,000 unfinished projects authorized under nine capital project laws dating to 1999. Other provisions would require a local hearing before a project is approved and online posting by the state Office of the Budget of approved RACP projects with the name of the applicant.

The state's annual service for General Obligation debt is approximately \$1.3 billion and growing.

### **Time-Line Narrowing for Action on Merit Selection of Appellate Judges**

A PMA-backed initiative that would establish a system for selecting rather than electing the state's appellate courts judges requires action before lawmakers break for the summer, said an official with a Philadelphia-based group working for the change.

"Since it's a constitutional amendment, it must be approved in successive legislative sessions," said Shira Goodman, Deputy Director of Pennsylvanians for Modern Courts. "We need approval before summer recess so it can be advertised before the new session begins in January."

Business leaders have long supported a merit selection system for judges.

"The trial bar dumps millions into judicial campaigns," said PMA Executive Director David N. Taylor. "It

doesn't pass the straight-face test to believe that doesn't influence a judge's decision."

The bills, HBs 1815 and 1816, sponsored by State Rep. Bryan Cutler, R-Lancaster, would create a 15-member nominating commission to screen candidates and develop a list of potential nominees for the governor.

Commission members would be chosen by the governor, legislative leaders and civic and other groups, and would be diverse in political, geographic, gender and ethnic backgrounds. One member would be a law-school dean. The eventual nominee would have to undergo a Senate confirmation hearing. As judge, the person would serve an initial term of four years and then go before voters in retention elections.

On March 2, the House Judiciary Committee held a public hearing on the bills where PMA testified in support.

### **Team PA: Manufacturing Council Will Lead to Business Climate Improvements**

The final report from the Governor's Manufacturing Advisory Council will not end up "filed away on a shelf and forgotten," said Team Pennsylvania Foundation President & CEO Matt Zieger.

"The first thing we're going to do is come up with a plan to implement changes once we finish our meetings this June," Zieger said. "We can accomplish that by not going into this pretending to change the world. But going into it realistically looking at making improvements where we can."

Governor Corbett appointed the Council in January under the umbrella of the Team Pennsylvania Foundation, a public-private partnership.

At the time the Governor said, "Manufacturing adds more than \$75 billion in value each year to our state's economy, and it is paramount that we do all that we can to that we do all that we can to preserve and support that sector of our economy."

PMA's David N. Taylor, who was appointed by Corbett to the Council, praised the Governor's effort to craft a pro-manufacturing agenda for Pennsylvania. "Manufacturing is the engine that drives prosperity for our Commonwealth," Taylor said. "Tom Corbett understands our challenges and we appreciate his focus on building a more competitive environment for manufacturers."

The council consists of 23 members from a cross-section of manufacturing interests including heavy machinery, minerals, pharmaceuticals, plastics, steel and textiles. Zieger said the Foundation is underwriting the cost of the council.

The final meeting is scheduled for June 12.

Members of the council include:

- C. Alan Walker-Co-Chair, Secretary, Department of Community & Economic Development
- Carlos M. Cardoso-Co-Chair, President, and Chief Executive Officer, Kennametal Inc.
- David E. Barenfeld-President and CEO, Ellwood Group, Inc.
- Samuel P. "Pat" Black, III-President and CEO, Erie Management Group
- Gregory W. Booth-President and CEO, Zippo Manufacturing
- Heather Chandler-President, Sealstrip Corporation
- Frank Epifano-Vice President, North America & Global Finance, Commercial Operations, Sanofi Pasteur
- Janis Herschkowitz-President and CEO, PRL, Inc.
- Daniel R. Langdon-President, East Penn Manufacturing Company, Inc.



- Jeff Kelly-Chairman and CEO, Hamill Manufacturing Company
- Todd Kennedy-President and CEO, McClarin Plastics
- Leroy A. "Tighe" King, Jr.-Chairman and CEO, Perform Group LLC.
- Michael W. McLanahan-Chairman & CEO, McLanahan Corporation
- Scott Meuser-Chairman and CEO, Pride Mobility Products Corporation
- Loauy Mishu-Plant Manager-Family Care, Procter and Gamble
- Michael Pearson-President, Union Packaging, LLC
- Jim Rutkowski Jr.-General Manager and Treasurer, Industrial Sales and Mfg. Inc.
- David L. Simpson-President, COO, Diamond Manufacturing Company
- Michael S. Williams-Senior Vice President, U.S. Steel
- Helen Yost-President, The Rowland Company

Trade Organizations:

- Ralph J. Pontillo-President, Manufacturer and Business Association
- Darlene Robbins-President, Northeast PA Manufacturers and Employers Association
- David Taylor-Executive Director, Pennsylvania Manufacturers Association

Industrial Resource Center:

- Jack Pfunder- Executive Director/CEO, Manufacturers Resource Center