The Bulletin

PMA

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Floor Leader's Efforts End Transit Monopoly in Allegheny County

Approval of a measure that ends a monopoly on transit services in Allegheny County can be credited to the persistence of House Majority Leader Mike Turzai (R-Allegheny), according to caucus sources. "It was not an easy lift getting this one through," one caucus source said. "But Mike's attitude and the attitude of lot of others is we're sick of underwriting a poorly run operation." "Allowing the private sector to compete for the services of Allegheny County commuters is a major victory for reform," said PMA Executive Director David N. Taylor. "The gold-plated unionized monopoly at the Port Authority has served its customers poorly while fleecing taxpayers with outsized employee compensation. Mike Turzai's solution is elegant in its simplicity: subject the Port Authority to the power of consumer choice and watch a new marketplace offer up a menu of choices for customers."

The legislation, House Bill 10, will allow private companies or other regional transit systems to deliver transportation services in Allegheny County. Under current law, the Port Authority of Allegheny County has the exclusive rights over transit within the county. Governor Corbett said he will sign the bill into law.

"By allowing other transportation agencies to offer services, the people will be far better served," Turzai said. "Eliminating the transit monopoly is a win-win for taxpayers and transit riders."

President of the Allegheny Institute, Jake Haulk, said one change under the law will be regional carriers picking up passengers on trips to downtown Pittsburgh. "Now if a carrier picks up a passenger in Butler County, it's not permitted to pick up other passengers on the way to downtown," Haulk said. "Nothing magical about this. It's a question of introducing competition to lower costs and increase efficiency."

The Port Authority faces a $64 million budget deficit and is preparing to impose the largest service cuts in its 48-year history. "It will likely be slow going at first," Haulk said. "But eventually we're confident it will result in improved service in the county."

Measure Paying Off Debt and Ensuring Long Term Solvency In Unemployment Compensation System Heads to Governor

Legislation that will save Pennsylvania businesses millions in interest and penalty payments, and pay off a multi-billion dollar debt to federal government for covering the state's unemployment compensation (UC) costs is on its way to Governor Corbett. The Governor said he will sign the bill, SB 1310, into law.

Business leaders and some organized labor groups worked with the Corbett Administration to save an Unemployment Compensation Trust Fund on the brink of financial ruin.

”Governor Tom Corbett and Labor & Industry Secretary Julia Hearthway have brokered a meaningful UC compromise that will restore the system to solvency within a decade while sparing employers disastrous cost increases that would make it more expensive to create and maintain Pennsylvania jobs,” PMA Executive Director David Taylor commented. “All of the stakeholders and legislators who supported the compromise are to be commended, with special thanks to Senate Labor & Industry Chairman John Gordner (R-Columbia) and House Labor & Industry Chairmen Ron Miller (R-York) and Bill Keller (D-Philadelphia). While much work remains to fully modernize the UC system, this compromise successfully avoids disaster and sets a course toward sustainability for the near-term.”

Pennsylvania owes Washington $3.78 billion, for covering the state’s unemployment compensation payouts during the recession. SB 1310 authorizes the floating of bonds to pay the debt off, a move that will result in lower interest rates paid on the overall sum and the avoidance of penalty payments. Pennsylvania businesses bear the brunt of those costs. The measure will also help ensure the solvency of the fund by cutting costs in the UC system.

Sen. Gordner, who sponsored the legislation, said a fiscal analysis of the bill points to a total of $2.345 billion in savings between 2013 and 2019 -- when the trust fund will achieve 100 percent solvency.

As of January 1 of this year, Pennsylvania employers began paying the federal government for the borrowed money, and Pennsylvania assessed an interest tax on state employers to make those payments. The Senate Appropriations Committee estimates that businesses could save between $160 million and $265 under Gordner’s legislation.

Pension Reform Proposal Draws Attention to Yet Another Massive Public Debt

Senate Republicans will soon introduce a plan to reform a public pension system saddled with a debt over one hundred thirty times larger than the current General Fund budget deficit.

The Executive Director of the Pennsylvania Employee Retirement Commission, Jim McAneny, said that the “back of the envelope” calculation of the debt for state employee and teacher pensions is $40 billion in unfunded liability. By comparison, the General Fund is expected to end the fiscal year $300 million in the red. “The Senate Republican plan is a positive step going forward but it doesn’t touch 99 percent of the problem, the unfunded liability,” McAneny said.

The Senate proposal would switch public employees from a defined benefit plan to a defined contribution plan. The defined plan determines fixed employer contribution rates based on years of service. The contribution plan is a 401(k)-style plan requiring larger employee payroll contributions. The changes would hold for new hires only.

Richard Dreyfuss, Senior Fellow with the Commonwealth Foundation for Public Policy Alternatives, said that conceptually the Republican plan is “right on the money.”

“It makes sense fiscally and politically and since it would hold for new hires, it’s workable,” Dreyfuss said. “You’re not likely to have unions rail against something that doesn’t affect current employees.” At the same time, Dreyfuss echoed McAneny’s concerns regarding the size of the unfunded liability. “If you killed the pension system right now how would you pay for the unfunded liability. Tax increases? It’s an enormous problem without any easy solution,” Dreyfuss said.

Senate Majority Leader Dominic Pileggi (R-Delaware), agrees that switching plans is just a start. “This bill is not a total solution but an important part of the solution, one that is achievable, one that’s easy for people to understand, and one that, in my view, is long overdue.”

McAneny attributes the size of the debt to three causes: In 2001, the General Assembly approve a change in the pension system that jumped the multiplier from 2.0 to 2.5; the flat stock market; the state has underfunded its share of the costs for 15 years. “In some years, the state contributed nothing to the pension scheme," McAneny said.

A 2010 law did drop the multiplier back to 2.0 but the change holds just for new hires. Dreyfuss said the ideal solution would combine the state, and teacher pensions systems with the municipal systems. "But politically that's a near impossibility," he said.

Members Upbeat on Liquor Privatization Caucus

One House Republican characterized a caucus meeting this week, focused on privatizing the liquor stores, as more positive than he expected. "A lot more members than I expected got up to speak about how sick and tired they are of having the state in the liquor business," the member said. "I was encouraged."

A follow-up caucus is planned for next week with House Majority Leader Mike Turzai (R-Allegheny) pushing for a vote on privatization before summer recess. Under Turzai's latest plan, the state's 1100 beer distributors would have first right of refusal for the liquor licenses. Another 500 licenses would be auctioned off. Plan 'B', according to his office, would be to offer wine licenses to the distributors but keep state control over spirits. "If plan 'B' is all we can get then it's better than nothing," said one Caucus source. "But it's really not desirable."

In related news, the union representing the state store workers, the United Food and Commercial Workers (UFCW), ratified a four-year contract; a move that it says guarantees them the jobs even if the system is privatized. A spokesman for Governor Corbett's office said the contract is between the state and the union and has no standing if the stores are sold.

Performance Based Budget Measure Clears Committee

The House State Government Committee cleared legislation that would require the Commonwealth to deliver a budget each year that bases proposed funding for state agencies and departments on their performance in the prior fiscal year.

HB 726 would create the Performance, Accountability and Results Act, requiring state agencies to detail the cost of achieving the goals of each program or activity. Also, in the subsequent budget year, they must report the actual outputs and outcomes achieved for each program activity in each agency and their actual costs.

"No business owner can go to a bank and ask for a loan to expand his or her operations without showing a detailed plan of past performances for the most recent years along with a plan and projected success for the expansion he or she is requesting a loan for," said State Rep. Stan Saylor (R-York), the sponsor of the legislation. "It is high time the taxpayers of Pennsylvania have a detailed accounting of how their money is being managed and whether the goals it is being spent on are being achieved."

Specifically, agencies would be required to detail program goals at the mid-level and lower levels of the agency, including performance indicators that define whether the agencies' use of taxpayer monies has been successful. Descriptions of the strategies for how the goals are to be achieved include all of the following:

- The processes, skills, technology, and other resources required to meet those goals.
- Any new initiative or program activity.
- Any new approaches or methods that will be adopted or revised.
- The means of avoiding unnecessary costs and expenditures.