

SMC Government Relations Meeting with Rep. Mike Turzai, Speaker, PA House of Representatives May 19, 2017



(Left-to-Right) Bob Graham, Ted Rogers, Jean DeFilippis, David Fair, Rep. Turzai, Abraham Moosa

SMC was very fortunate to have Representative Mike Turzai, (R-28) Speaker of the House, PA House of Representatives, meet with a small group of members and guests on May 19th at SMC Cranberry. The Representative graciously offered a “make-up” session for a missed meeting in Harrisburg on May 8th.

SMC CEO David Fair opened the meeting, welcomed all and made introductions.

Eileen Anderson, Director, Government Relations, gave a brief overview of SMC’s key positions on the issues. The overarching premise is to build PA’s economy by taking advantage of our strengths: PA has the world’s largest unconventional natural gas field and PA ranks in the Top 10 Manufacturing States.

Turzai read SMC’s 2017 State Position Papers in advance and was very complimentary. He addressed some of the major points in the paper. Improving the tax climate is the #1 goal and the legislature made progress during the Corbett administration. He began by reminding the group of tax issues that have successfully been addressed by the General Assembly and noted that wins for the business community have a cost to the state.

Tax Wins

- 1/1/2016 - the Capitol Stock and Franchise Tax (CSFT) was completely phased-out.
- The Single Sales Factor portion of the Corporate Net Income tax, (CNI) went from payroll, capital investment and sales to 100% single sales.

- Net Operating Losses (NOLs) - They can be carried forward either 10 or 20 years (depending on the year the losses were incurred) to reduce taxable income by either \$5 million or 30%.

Pension Reform

Turzai cited several unsuccessful attempts to move forward with pension reform. Governor Wolf says he is now interested. The current bills under consideration do not impact existing employees, one of the sticking points in the last reform bill. Taking any step forward is a big deal and he will work with the Senate. Several years ago when he was Majority Floor Leader he led efforts to move to defined contribution. In June 2015 the Governor vetoed pension reform legislation.

Regarding the pension debt Turzai noted that it is being paid down. Contributions have been made that hit the Annual Required Contribution (ARC). In 2012, \$547 million was paid by the state to teachers' pensions and the amount has increased every year to the proposed \$2.2 billion in the 2017-18 budget. He remarked that PA will not make up the debt in a day; it will take 20-30 years.

Medicaid

PA has among the richest set of benefits of any jurisdiction. Steps were taken by Governor Corbett to reduce the level of items of coverage in lieu of Medicaid Expansion, however, when Governor Wolf took office he fully expanded Medicaid and more than 700,000 people were added to the program. The U.S. Republican Congress in the House wants to cap the federal dollars that flow to the states for Medicaid and he expressed uncertainty about how PA could handle such a change.

The Deficit and the PA Budget

Turzai reasoned that we do not really have a deficit since PA must balance the budget. During the recession of 2008 state tax revenues dropped by nearly \$2 billion and the Federal government enacted a stimulus program to provide relief to the states. Those dollars went to Medicaid and education. When Corbett took office, the stimulus dollars were depleted, so he cut the budget by \$2 billion, the amount of the stimulus money previously received.

There is a shortfall in revenues predicted for 2016-17. Taxes increased last year by \$800 million mainly though taxes on tobacco. The House sent the 2017-18 budget to the Senate in April. Proposed revenue increases are in gaming and liquor. After that he said cuts should be made.

Minimum Wage

The House Republicans are adamantly opposed to any increase in the minimum wage. The Democrats want an increase to \$15.00/hour; the Governor wants an increase to \$12.00/hour. He does not see it as an active issue and noted that most jobs now pay above minimum wage. There are jobs but employers can't get people that pass a drug test and/or show up on time.

Regulatory Environment

Turzai stated that PA's regulatory environment is punitive and must change. Jobs and energy are why Trump won in Ohio, PA, Wisconsin and Michigan.

QUESTION: SMC member David Ross noted that the premise of the position papers is to grow the PA economy and asked how much money is used for incentives to bring in businesses and attract people to PA.

ANSWER: Turzai spoke about the Shell cracker plant in Beaver and said that it landed in PA because of the tax credits; it is a "game-changer" and natural gas provides the most significant opportunity. Numerous parcels of land in the surrounding area have been purchased by companies and organizations. He noted PA has 24 job training programs. He tasked the group to think about the trades. PA has outstanding training programs but he often hears that employers can't find people. SMC supports Turzai's HB 202 the main goal of which is to destigmatize the trades.

Transportation

Turzai noted that PA has the highest gas tax in the nation as a result of ACT 89 of 2013 and he questions where the money has gone; he has not seen a report.

QUESTION: SMC member David Ross suggested that some of the money should be dedicated to new roads because the parkway, for instance, sometimes backs up for 7 miles.

ANSWER: Turzai recently met with Barry Shoch, former Secretary of Transportation. Shoch commented that the Pittsburgh region should move full speed ahead on the busways; that along with trains will relieve some of the congestion. Mass transit is needed.

Please note that the floor was open for questions but Rep. Turzai covered the topics of interest so thoroughly that few questions arose.

