**PACP Column**
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The New Year ushered in a new legislative session, which kicked off on January 3rd with the swearing-in of the 201st General Assembly. It's sure to be an interesting two years, with a Democratic Governor, a historically strong Republican majority and a host of fiscal issues to overcome. Our organization stands ready to work with elected officials on both sides of the aisle on efforts to ensure responsible state spending; reduce tax burdens and excessive regulation; bring equality to the Commonwealth's legal system; and achieve other goals defined in our 2017 legislative agenda, which is available on our website at www.pachamber.org.

A focus in the early weeks of session will be the Wolf administration's spending plan for the 2017-18 fiscal year. The governor is scheduled to deliver his third budget address on Tuesday, February 7th, and we're looking toward his proposal with keen interest as this year's budget will be met with the challenge of overcoming a nearly $2 billion deficit that is the result of lower than expected revenue returns and rising fiscal obligations. At a mid-year budget briefing in December, Wolf administration officials said they intend to look to government efficiencies and spending cuts to help balance the budget, and said they are not looking into sales or personal income tax increases as a way to generate new revenue.

The PA Chamber is stressing to lawmakers that before discussions on new spending take place, they must first address the state's largest cost-driver – the $74 billion and growing public pension debt. Pension reform is our organization's top priority, as it is the underlying reason behind continued tax hikes and credit rating downgrades. Coupled with that, the PA Chamber is also continuing our push to bring Pennsylvania's outdated and costly prevailing wage structure in line with today's economic demands, since the law (which hasn't been updated since 1961) requires inflated wage rates that drive up costs well beyond what local governments and school districts can afford and often forces them to delay or shelve projects entirely.

At the same time, we're also speaking out against some lawmakers' efforts to eliminate school property taxes by significantly increasing and expanding sales and personal income taxes. This tax-shifting measure, while well-intentioned, would end up hurting many businesses, and would generate even higher costs for goods and services. It would also have an especially harsh impact on younger generations of taxpayers – many of whom are young working families with children to care for – who would be forced to pay higher income taxes, sales taxes and new taxes on many essential day-to-day items (things like diapers and daycare) to replace school property taxes. We're also pointing out that sales and income taxes, which tend to fluctuate with the economy, are no replacement for the steady stream of revenue that property taxes bring in. In fact, the Independent Fiscal Office recently reported that any replacement or property taxes would need to generate about $14 billion a year – and that amount is expected to grow $500 million annually! Our organization continues to promote public pension reform as the only true way for the Commonwealth to begin to reduce tax burdens.

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