

PACP July Column
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Legislature, Governor Agree on Spending Plan, Work on Revenue Package Continues

The 2017-18 fiscal year has officially begun and while the legislature and governor have agreed on how much to spend, work continues on a number of budget-related bills, including a revenue bill to pay for the nearly \$32 billion plan.

As I've written in previous columns, the state's lackluster revenue returns over the past year placed additional challenges on this year's budget negotiations. With broad-based tax increases off the table, elected officials were left to look at other revenue generation options and potentially cutting government programs in order to achieve a balanced spending plan. Early on, it looked as if expanded gaming and additional liquor reforms would be part of the revenue package. However, the House and Senate continue to disagree on the details in these proposals, leaving the prospect of borrowing money to fill the budget shortfall as a very real possibility.

After sending the General Appropriations bill to the governor's desk on June 30 – the constitutional deadline - the legislature broke for the 4th of July holiday with negotiations on a revenue package continuing over the weekend. We anticipate the House and Senate to return to session later this week to finalize the other budget related code bills – including the Fiscal, Tax, Education and Human Services codes. As of this writing, we are closely monitoring the on-going negotiations to make sure additional, unfair burdens aren't placed on Pennsylvania's job creators.

In non-budget related news, earlier last month the General Assembly and Gov. Tom Wolf worked together to enact a historic pension reform proposal. Act 5 of 2017 offers all new state and public school employees a choice of three retirement plan options – including a partial – or hybrid – defined contribution plan as well as a defined contribution option structured like the 401K-style plans that work well across the private sector. The new law also gives current employees the option of participating in the new benefit plan options. The PA Chamber applauded legislative leaders and the Wolf administration for working in a bipartisan manner to pass this much-needed, responsible pension reform measure.

This new law is a critical step in solving Pennsylvania's pension crisis. Most notably - it stops the problem from getting worse – helping to rein in the unsustainable costs of the systems and securing their long-term stability going forward. This move will help to protect the benefits that current and retired workers have already earned. At the same time, the reforms shift much of the risk away from taxpayers – a key principle that the PA Chamber has been fighting for over the past several years.

Additionally, the new 401K-style component of the law better reflects the Commonwealth's changing workforce demographics – the defining characteristic of which is workers' tendency to frequently change jobs and careers. There's a reason why the private sector has largely moved away from defined benefit pension plans – they are financially unsustainable, are far less mobile and no longer reflect the nature of the modern workforce. This plan better meets the needs of current and future generations of workers by being much more portable and flexible.

As work on the final 2017-18 budget package continues, we are advocating for the Wolf Administration and General Assembly to work in a bipartisan manner – like they did on the pension reform bill – and

enact responsible revenue policies that won't hinder continued investment and job growth in the Commonwealth.

Gene Barr
President and CEO
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***Editor's note: This column was submitted on the June 30 constitutional budget deadline, prior to the governor taking action on the General Appropriations bill.

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