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**SMC Business Councils
Overview of State Agenda
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Premise: In order for PA to prosper it's critical to take advantage of our natural gas resource, the Commonwealth's competitive edge. There are very few areas where PA is in the Top 10 but we are in the Top 10 list of manufacturing states and PA is home to the world's largest unconventional natural gas field. Plentiful gas and manufacturing go hand-in-hand in with creating jobs and downstream businesses. If approached correctly PA can grow our way out of some of our fiscal problems without always raising taxes and/or cutting programs.

Perception and economic health problems – The key to raising more revenue lays in pro-growth policies that will spur economic expansion and increase tax revenue. Pennsylvania suffers from a perception problem and an economic health problem. These two issues must be addressed to make PA attractive to private investment.

2017-2018 Budget background – PA faces an estimated \$3 billion deficit over the next 18 months. Rising costs are concentrated in pension, debt, corrections and human services payments. PA's budget problems have resulted in at least 5 credit downgrades since 2010 and we are straining under unfunded pension liabilities of nearly \$70 billion. The Governor proposed a \$32.3 billion budget paid for by \$2 billion in government efficiency, consolidations and cost-saving measures. To fund the gap he proposed \$1 billion in new tax revenues raised from businesses.

MANAGEMENT & TAX SCHEME

Reform of the state pension systems – The state pension systems currently have nearly \$70 billion in unfunded liabilities. It is one of the largest cost drivers in the budget, the No. 1 reason for property tax increases and a major reason why our schools are struggling financially. The General Assembly considered reforms during the 2015-16 session but failed to reach consensus. Pension payments will add another \$700 million in costs to the 2017-18 budget before any other spending. SMC supports current reform proposals offering a 401 k option and request the introduction of additional legislation that addresses the unfunded liabilities.

The 30% cap on the Net Operating Losses (NOLs) should be eliminated – In order to establish a pro-growth agenda, one of the most important things that PA can do is fully lift the cap on the usage of NOLs. Pennsylvania is one of only a handful of states in the nation that caps the amount of NOLs a company can offset against its current corporate net income. For cyclical manufacturers and high-growth start-ups – that means tax rates here are several times higher than in competing states. This current, uncompetitive policy puts us at a great disadvantage for business growth and investment.

Address the appeals process with the PA Department of Revenue (PADOR) – SMC has had an ongoing dialogue with the Deputy Secretary for Taxation, PADOR and the Office of the PA Auditor General regarding inaccurate tax notices. In many cases the business owner is left to defend his company which is burdensome and expensive because it often means the hiring of outside professionals to resolve tax matters. A tax notice may be for \$200-\$300 but the cost to the client can be 3 to 4 times the original tax bill and in many cases exceeds \$1,000. That problem has been resolved and inaccurate business tax notices are now the exception rather than the norm. In 2017 SMC encourages the adoption of a simplified business tax appeals process and a small claims court.

Property tax reform – Past versions of legislation aimed to eliminate school property taxes accomplish that goal by significantly increasing and expanding sales tax and personal income taxes. SB 76 in the 2015-16 session imposed a 60% spike in the income tax rate paid by individuals and small businesses and increased the state sales tax rate by 17% and applied the sales tax base to a wider range of goods and services. To view SMC's complete property tax reform policy [click here](#).

WORKFORCE & LABOR COSTS

HB 25 – Career Bound – Provides for the creation and implementation of workforce development programs for middle and high school students. Local workforce investment boards, businesses and schools will work together to develop innovative school-to-work pilot programs that exposes youths to high-priority careers. Tax credits will be available to businesses who participate in the program.

HB 202 – Creates an alternative pathway for career and technical education (CTE) students to demonstrate readiness for high school graduation – This bill removes the statutory requirement for the development and implementation of the 7 pending Keystone Exams. It provides that in any year in which a demonstration of proficiency on a Keystone Exam is required for high school graduation, a CTE concentrator shall be deemed proficient provided that the student completes certain specified requirements and one of the following:

- Attains an industry-based competency certification related to the CTE concentrator's program of study; or
- Demonstrates a high likelihood of success on an approved industry-based competency assessment, such as a National Occupational Competency Testing Institute (NOCTI) exam, National Institute for Metalworking Skills Standards.

LABOR COSTS – MINIMUM WAGE

Governor Wolf's mandated minimum wage increase to \$12.00/hour effective July 1, 2017– An increase from \$7.25 to \$12.00, nearly \$5/hour, with no phase-in period, would impact the smaller business and manufacturers' community more than any other segment of the economy since they offer more entry-level positions. SMC opposed a mandated minimum wage increase in 2016, stating that employers should be allowed to set their own packages of wages and benefits to remain competitive and attract employees. SMC's conducted a minimum wage survey and with the collaboration of several other organizations was able to collect more than 400 replies. The results will assist all in determining where small employers stand on the minimum wage mandate. To view the survey results [click here.](#)

LABOR COSTS – HEALTH INSURANCE & HEALTH CARE

Surprise/Balance billing protections for consumers – Much of the state has provider networks which are designed to be narrow and may have a severely limited number of primary care and specialist providers and maybe only one hospital. Surprise billing legislation would mandate that providers and insurers who offer services within an in-network facility as part of a patient's treatment plan of care accept in-network rates, whether or not the providers are in that plan's network. This will remove consumers from disputes between providers and insurers over out-of-network bills. The legislation should also ensure that there are adequate networks available to plan participants such that insureds are not forced to go out-of-network to obtain medically necessary care.

Reauthorization and Modernization of the PA Health Care Cost Containment Council (PHC4) – PHC4 collects data on health care costs however the information on the website is often outdated and not readily usable by the consumer. PHC4 should have more flexibility in the type of information collected and the reports issued. The information provided by the health care facilities is based on the billed amount of the services not the negotiated payment amount. The difference in billing rate vs. payment rate leaves the consumer with little usable information to make informed health care decisions.

REGULATIONS & ENERGY

SMC STATEMENT on ENERGY – Our energy resources are an economic driver for the commonwealth. SMC members are consumers of energy. While we understand the economic aspect it is also critical that we have clean air and water. We want lawmakers to make it easier for energy companies to operate and keep energy affordable. To view SMC's complete energy policy [click here.](#)

Legislative Approval of Economically Significant Regulations – Require the General Assembly and the Governor to approve all regulations with an economic impact or cost to the Commonwealth, to its political subdivisions, and to the private sector exceeding \$1 million. This legislation is needed to strengthen political

accountability for regulatory policy and protect our economy from undue burdens on business and job creation. Currently, the regulatory review process requires the General Assembly to pass a concurrent resolution disapproving a regulation. However, the Governor must sign the disapproval resolution. This bill would give the General Assembly the final say on legislative intent for economically significant regulations.