



SMC Business Councils
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SMC Government Relations Conference Call
Wednesday, December 12, 2018, 10:00-11:00 AM
Brief notes embedded in blue.

I. Welcome & Introductions

- *Attending: Bob Henry, Joe Weinkle, Zak Phillips, Don Johnston, Keeshia Muhammad, Gina Grone, John Nikoloff, Linda Froehlich, Colleen O'Laughlin, Ryan Fronius, Eileen Anderson.*

II. Today's Meeting – Eileen Anderson, Director, Government Relations

III. Brief Updates

- *State – John Nikoloff, President, ERG Partners – John gave an overview of the fall elections and some thoughts on the 2019-20 budget. He noted that not a lot has changed; the PA House and Senate still have Republican majorities although they are smaller. Twenty-nine out of 50 senators are R's and 110 of 203 House members are R's. Both chambers are more conservative since moderate R's in the southeast around Philadelphia lost to D's. Senate leadership remains the same after recent elections, however, the House leadership turnover was significant. Bryan Cutler is the new Majority Floor Leader, Donna Oberlander is Policy Chair, and Mike Reese is the Caucus Secretary. Jordan Harris from the Philadelphia vicinity is Minority Whip and Dan Frankel, Pittsburgh, lost a close election for Appropriations Chair to Matt Bradford. What remains unknown is the effect of all of the change on the political landscape. Nikoloff noted that out of 52 House committee chairmanships, at least 32 are open seats and the Senate will elect new chairs for ten committees.*
- *Governor Wolf has tipped his hand about his February 5th budget address to the effect that he will be asking for more money for education, health care, job training, calling for a minimum wage increase, a severance tax, and criminal justice and election reform. PA's Independent Fiscal Office predicts a \$1.7 billion deficit. House and Senate leaders say they will not vote for new taxes; there are no votes for a severance tax, a sales tax. While PA is 37th in job creation. Where will revenue come from? "It will be a long summer."*
- *Q. Froehlich – How is the difficulty of finding qualified workers being addressed by the state?*
- *A. Nikoloff – All of the caucuses are in favor of taking action on workforce development such as STEM, jobs and technical training programs. However, it's likely that this legislation and all will be wrapped up in the budget. Of the \$32 Billion budget, he estimated \$50-100 Million would be for workforce development and education.*
- *Federal – Don Johnston, Partner, Tax Services, Grossman, Yanak & Ford, LLP – Johnston noted that it's been one year since the passage of the Tax Cut and Jobs Act and some of the details are still being understood. Section 199A Qualified Business Deduction is a hot topic for businesses right now; it allows for a 20% deduction for certain business income and can be quite complex. Consultants, architects, accountants, for instance, can qualify and are only phased out once they hit the \$315,000 income level.*
- *Bonus depreciation now allows for a 100% deduction in the first year for new and used acquisitions of property. This is very important for businesses and even more important for those taxpayers that buy an entire business via an asset acquisition.*

IV. Brief Review

- “What Keeps You up at Night?” Business Issues Forum 9/27/18 – <https://smc.org/our-services/government/> See Publications. *Anderson gave a high level overview of the forum and said that workforce was the issue that was top of mind for most of the attendees. Regional transportation, energy, and cybersecurity were also mentioned. Some of the issues can be handled through education, some may be handled by attending meetings with regional and statewide groups that address those topics, some are out of the scope of SMC.*
- National Small Business Association’s (NSBA) Policy Congress 11/14-15/18. See <https://smc.org/2018-december-newsletter/>; Follow the link at the page bottom for further reading. NSBA’s Top Priority list is attached.

V. Open discussion and review

- Framework for filtering potential issues – See attached “Prescription for PA: INNOVATION”
- *Anderson asked for comments on the draft document explaining that the goal is to reframe the filter through which we view business issues. Rather than continually saying “no more taxes” or “cut my taxes” the document states that innovation is the key to economic growth. She suggested issues can be filtered by looking at those that reduce hurdles to innovation.*
- Ways to work on issues:
 - Legislatively – Usual approach: Identify, review, discuss issues and vet legislation.
 - Non-legislatively – Additional approach: Locate opportunities, request a seat at the table, report back to the full committee/working group.
- Speed up the process of position development and get at least one issue from each working group to serve as an introductory piece for new and current lawmakers. *Anderson noted it would be great to do this, if time allows, as a way to welcome new lawmakers and introduce SMC. There are many new General Assembly members and the need for education about small business issues is great.*

VI. Next conference calls – Working Groups

- Identify some issues for consideration for SMC’s 2019 agenda and how to move forward
- Evaluate state issues – *Anderson cited some legislation directed to members’ top concerns; health care costs, workforce, energy, tax, labor and regulations. The working groups role is to vet the legislation.*
- *Weinkle – Pharmacy benefit manager legislation should be pursued; they have a stranglehold on pharmacists who should be able to provide price and drug substitution information.*
- *Anderson – Guidance will not be forthcoming from Congress and it will be up to the states to issue guidance as a result of the Wayfair vs. South Dakota Supreme Court ruling which supports internet sales tax on purchases.*
- *Johnston – Questioned why this would be an issue for PA businesses since guidance from the PA Dept. of Revenue will be for out-of-state businesses selling in PA. Anderson deferred the issue to the tax working group.*

Evaluate issues from NSBA or other, and the extent of SMC support

- *Health care costs, Tax Reform 2.0 and workforce were the top issues at the November NSBA Policy Congress in Washington, D.C. and is consistent with several NSBA state listening sessions and business surveys. According to NSBA small incremental changes are possible.*
- *Nikoloff – Regarding the Draft Climate Change Action Plan, there are several items that should come to the attention of the Energy working group; Governor Wolf’s Cap and Trade program for greenhouse gases; new fees for air and water quality; and the program under development to*

clean up the Chesapeake Bay and Susquehanna River basin. The revenue required will be substantial.

- **VII. Self-select for working group chairs and members** – SMC does logistics footwork/call setup etc. *Anderson noted she is the default chair for each group. Response was limited but Don Johnston and Ryan Fronius volunteered for the Tax working group. Bob Henry will chair the Energy group.*
- Tax & Workforce, Labor, Transportation working groups will be combined.
- Health Care & Energy, Environment, Regulations working groups will be combined.

VIII. Scheduling calls – based on availability of working group chairs

- *In early January DOODLE scheduling polls will be sent out to all and they can participate in working group calls as their time permits. The tentative schedule is a one hour call for the two working groups in January and February and an entire committee call in March. Anderson will make various materials available to the groups such as the DEP's Draft Climate Change Action Plan, and pertinent audits due from Auditor General DePasquale RE: climate change action plan, state workforce programs, and pharmacy benefit managers.*
- *Nikoloff – Emphasized that it is very important for members to become involved in advocacy. Members need to be educated on that point and understand that their facts that they bring to the table as grassroots advocates is very valuable to lawmakers and supportive of the lobbying done by an organization's lobbyist.*

Important Dates

- February 5, 2019 – Governor Wolf's Budget Address
- Date TBD – SMC's Harrisburg Grassroots Lobbying Trip