



# bits and bytes

February 21, 2008

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We've all been hearing about the sub-prime mortgage crisis, but economist **James Diffley**, of **Global Insight** put the problem into perspective for committee members on Wednesday morning: simply put – student loans, insurance, securities and most other financial-related businesses have felt the impact which, combined with the credit crunch facing consumers, has left the country in an economic slowdown. That's the bad news. The good news is Diffley echoed the administration's position that Pennsylvania's growth hasn't been as robust as in the past but the commonwealth is still in a far better financial position than most other states. If forecasters are correct, the economy will begin to improve early in the fall. For the short term, Diffley argued Gov. Ed Rendell's proposal to give rebates of up to \$400 to low-income working families will immediately boost local economies. By comparison, tax cuts are a better long-term strategy. "Lower income people have a higher propensity to spend," Diffley told the committee. "Money that can be spent immediately has an immediate impact." One of the funnier moments of the hearing came courtesy of Chairman Dwight Evans and **Republican Chairman Mario Civera**. Evans said Democrats want to put money in the hands of low-income working families, so they can then spend that money in small businesses owned by Republicans. "We give them cash and they can go buy a corned beef sandwich at their local deli." Civera owns a deli.

**Barbara Franco**, executive director of the **Historical and Museum Commission**, updated the committee on the State Museum's major renovation project which will be funded in the Capitol Budget. The heating system is 40 years old; the fire alarms are faulty; the wiring needs to be replaced; exhibits need to be updated and the archives need attention. The cost: \$170 million. The value of the holding though? Priceless. To illustrate that point, Franco brought along a few of those artifacts including the First Frame of Government, a 1682 document that outlines the state's first government; The Great Law, also from December 1682, the series of statutes enacted by Pennsylvania's first legislature; Volume I of the Provincial Council from 1683 to 1688 and the Act for Gradual Abolition of Slavery from 1780. In addition, there also was pewter charger plate that belonged to William Penn. Franco also urged members to encourage their local community leaders to call on the commission not just for grant funding, but for technical, professional and consulting resources, many of which are provided at no cost. "Preservation is most effective at the local level," Franco said. "Citizens have the most power to save those [sites] which they hold most dear."

The afternoon hearing with **Revenue Secretary Tom Wolf** again brought up a number of House Republican questions regarding slots gaming revenue vs. lottery revenues and the federal rebate program vs. the proposed state rebate programs. While Secretary Wolf pointed out that slots gaming has not had an effect on the revenues going into the Lottery Fund and the concerns raised about the Fund's lower ending balance next year was the result of expenditures in PACE, PACENET, PENNCARE, the Property Tax and Rent Rebate and a number of other programs that serve senior citizens and not because less money was going into the fund. "Revenues are steady." On the same track, Wolf told the committee that Pennsylvania was in a "better position to weather an economic storm than many other states." Wolf reported the Department will be upgrading its technology. The Secretary told the committee he will look into whether either the federal or state rebate money would be considered "income" for the purposes of taxation or program eligibility.