

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
ROOM 140
HARRISBURG, PENNSYLVANIA

THURSDAY, MAY 21, 2009
10:00 A.M.

PRESENTATION ON
SENATE BILL 850

PANEL I

BEFORE:

HONORABLE DWIGHT EVANS, MAJORITY CHAIRMAN
HONORABLE TIM BRIGGS
HONORABLE EUGENE DePASQUALE
HONORABLE DAN FRANKEL
HONORABLE WILLIAM C. KORTZ
HONORABLE DEBERAH KULA
HONORABLE TIM MAHONEY
HONORABLE KATHY MANDERINO
HONORABLE JAKE WHEATLEY
HONORABLE JEWELL WILLIAMS
HONORABLE MARIO J. CIVERA, JR., MINORITY CHAIRMAN
HONORABLE GORDON DENLINGER
HONORABLE BRIAN L. ELLIS
HONORABLE JOHN R. EVANS
HONORABLE MAUREE GINGRICH
HONORABLE DAVID R. MILLARD
HONORABLE SCOTT PETRI
HONORABLE MARIO SCAVELLO
HONORABLE RICHARD R. STEVENSON
HONORABLE KATIE TRUE

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ALSO PRESENT:

LISA FRAELICH, COMMITTEE SECRETARY

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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MATTHEW J. BROUILLETTE PRESIDENT & CEO, COMMONWEALTH FOUNDATION.....	14

P R O C E E D I N G S

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3 MAJORITY CHAIRMAN EVANS: Good morning. I
4 would like to say good morning. I would like to
5 reconvene the House Appropriations Committee. We're
6 having two days of public hearings on Senate Bill 850.
7 And we have panels this morning to give their
8 perspective on this particular bill.

9 I would like to see if the Republican
10 Chairman of the Committee wants to make any comments.

11 MINORITY CHAIRMAN CIVERA: No, thank you.

12 MAJORITY CHAIRMAN EVANS: We can start.

13 Sharon, there was a mistake on the agenda
14 regarding your name. I apologize.

15 Sharon, you may start.

16 EXECUTIVE DIRECTOR WARD: Thanks very much.

17 Thank you, Chairman Evans and Chairman Civera
18 and members of the Committee. Thank you for traveling
19 here today.

20 MAJORITY CHAIRMAN EVANS: Push the microphone
21 closer to you, please.

22 EXECUTIVE DIRECTOR WARD: How's that?
23 Better?

24 MAJORITY CHAIRMAN EVANS: Yes.

25 EXECUTIVE DIRECTOR WARD: Okay. Good. I'll

1 sit closer to the microphone.

2 My name is Sharon Ward. I'm the Director of
3 the Pennsylvania Budget and Policy Center. We are a
4 non-partisan research and policy organization. We
5 work for a fair tax system and to maintain services
6 that are vital to the quality of life of all
7 Pennsylvanians. I want to thank you for inviting me
8 to testify today.

9 These are not easy times. The national
10 recession is now the longest in the post-war era.
11 Unemployment in Pennsylvania reached 7.8 percent in
12 March, surpassing the peak unemployment in 2001, the
13 2001 recession, and matching the highest unemployment
14 of the 1991 recession.

15 April unemployment numbers are due to be out
16 this week and they are likely to show little
17 improvement. Those counties hardest hit by this
18 recession are rural manufacturing centers, where
19 unemployment surpasses 10 percent.

20 The recession that is devastating
21 Pennsylvania's families is reflected in a dramatic
22 decline in State tax revenue, which continues to fall
23 behind projections. State revenue for April fell
24 precipitously, almost a billion dollars below
25 estimate.

1 The current year deficit stands at more than
2 \$2.5 billion and could surpass \$3 billion by the end
3 of June. At the same time, demand for unemployment
4 benefits, medical assistance, health insurance, and
5 other safety net services grows, even as the funds
6 that are available to pay for them diminish.

7 Conditions are the same across the nation.
8 The Center on Budget and Policy Priorities reported
9 this month that 47 States face budget shortfalls for
10 fiscal year 2009 and 2010 totaling \$350 billion.
11 Federal stimulus provides only \$140 billion to help
12 close State deficits, which is clearly far short of
13 what's needed.

14 Governors and legislators are looking for
15 budgetary savings, tapping Rainy Day funds, and
16 increasing revenues to close budget gaps and to avoid
17 deep spending cuts. The dilemma is best expressed by
18 the Speaker of the Oregon House of Representatives,
19 who after a budget listing tour of his State concluded
20 that citizens, rural and urban, liberal and
21 conservative, Republican, Democratic, or independent
22 did not want to turn their backs on school children or
23 the most vulnerable.

24 Senate Bill 850 does precisely that. It is a
25 budget that turns its back on school children and

1 Pennsylvanians most vulnerable citizens.

2 Senate Bill 850 includes expenditures of
3 \$27.3 billion for fiscal year 2010, \$1.7 billion less
4 in the budget proposed by the Governor, a budget that
5 already had a billion dollars in spending cuts and
6 eliminated more than 100 programs. The Senate plan
7 would allocate only \$24.6 billion in State funds next
8 year, reducing State support to levels not seen since
9 2005-2006.

10 This plan should put to rest once and for all
11 the myth that State spending can be cut without
12 affecting State services or the people who depend on
13 them. This plan includes cuts in every department
14 from Community and Economic Development and Military
15 and Veterans Affairs to Agricultural and Aging.

16 Other speakers will go into more detail on
17 these cuts, but I want to give you a few brief
18 highlights. First, Senate Bill 850 cuts programs that
19 are jointly funded by State and local governments.

20 For example, library subsidies are cut in
21 half, county court reimbursements are reduced by 10
22 percent, and county needs-based budgets for services
23 to abused and neglected children are cut by \$10
24 million. This continues the practice of shifting
25 costs from the State to local governments and local

1 taxpayers and will inevitably lead to higher property
2 taxes.

3 The bill cuts the basic education subsidy
4 back to 2005-2006 levels and replaces \$711 million in
5 State funds with temporary Federal funds that will not
6 be available in two years.

7 Education funding is the State's largest and
8 most important responsibility; this proposal is too
9 much of a gamble. A more prudent approach would
10 ensure that State funding levels are adequate, stable,
11 and sustainable over time.

12 The Senate plan also keeps education funding
13 at current year levels even with Federal dollars,
14 abandoning the commitment to education reform and
15 school funding adequacy.

16 Second, Senate Bill 850 cuts programs that
17 reach Pennsylvania's most vulnerable citizens. Head
18 Start supplemental funds are cut in half, preventive
19 health screenings for newborns are reduced, and
20 on-site job training for individuals with significant
21 disabilities are cut.

22 State funding for legal services is
23 eliminated, which will hurt many Pennsylvanians,
24 especially those who find themselves for the first
25 time having to navigate the complexity of our safety

1 net programs. Who will write the orders of protection
2 for women fleeing domestic abuse?

3 Finally, the budget cuts programs that save
4 public dollars in the short run. Programs like Nurse
5 Family Partnerships; the Homeowners Emergency Mortgage
6 Assistance Program, HEMAP; and supplemental payments
7 to SSI recipients reduce reliance on public programs
8 where they divert citizens from more costly services.

9 The Senate budget plan is most notable for
10 what it doesn't do. It rejects \$1 billion in fund
11 transfers and revenue options proposed by the
12 Governor. It leaves the State \$740 million Rainy Day
13 Fund untouched and leaves what should be about \$714
14 million in the Health Care Provider Retention Account
15 also untouched.

16 The Governor has proposed using \$350 million
17 from the surplus to help balance the budget. That
18 plan leaves more than ample funds to keep the
19 commitment to Pennsylvania's health-care providers to
20 pay down the unfunded MCARE liability.

21 Senate Bill 850 leaves Pennsylvania as the
22 only State without an excise tax on smokeless tobacco
23 and the only mineral-rich State without a severance
24 tax, a tax which the spokesman for Chesapeake Energy
25 acknowledged his company gladly pays in every State

1 with the exception of New York and Pennsylvania. And
2 New York is moving to implement a severance tax.

3 The depth of the crisis demands that the
4 Commonwealth spend carefully, and it is not
5 inappropriate to root out an efficiencies and find
6 budget savings where possible. But the Senate plan
7 goes far beyond that.

8 The simple fact is that this crisis engulfing
9 the States is a result of diminished revenue due to
10 the global economic downturn. The highest spending
11 States and the lowest spending States all have budget
12 deficits. This is not a spending problem.

13 Pennsylvania continues to rank favorably
14 nationally on spending, taxes, and debt levels. We
15 ranked 32nd in State spending as a share of personal
16 income in 2006 and 33rd in State taxes.

17 Our debt service levels are around 3 percent
18 of General Fund spending, which is well below the 10
19 percent levels considered acceptable by rating
20 agencies and comparable to the levels in the Ridge
21 Administration.

22 We propose a more balanced course of action
23 on the State budget. The budget should first tap the
24 Rainy Day Fund and Health Care Provider Retention
25 Account. The planned phase-out of the capital stock

1 and franchise tax should be postponed as it was in
2 2002 and 2003. And the Commonwealth needs to raise
3 additional revenue. Across the country, 16 States
4 have raised taxes and another 17 States are
5 considering revenue proposals.

6 There has been a concern that raising taxes
7 during a recession can further weaken the economy.
8 Prominent economists challenge that assertion. There
9 is significant evidence that budget cuts are more
10 harmful to State economies during a recession than
11 properly structured tax increases.

12 And some have suggested that Pennsylvania's
13 1991 tax increase caused permanent damage to the
14 Commonwealth's economy. Pennsylvania was one of 44
15 States that raised taxes in 1991 and was one of 26
16 States whose economy rebounded well enough to reduce
17 tax rates throughout the rest of the decade.

18 States are using this crisis to reform their
19 tax systems as well as raise revenue. And
20 Pennsylvania should consider doing the same. At a
21 minimum, Pennsylvania should close the Delaware tax
22 loophole by implementing combined reporting.

23 The Delaware loophole, transfer pricing, and
24 other tax loopholes allow multi-State companies to
25 move income out of Pennsylvania and further shift the

1 burden of taxation on to Pennsylvania companies.

2 Twenty-three of the forty-five States with
3 corporate taxes have enacted combined reporting and
4 four others are considering it this year. We should
5 make the system fair by restoring a corporate minimum
6 tax and adopting a pass-through entity tax to reduce
7 the wide gulf between corporate net income tax and the
8 personal income tax rate paid by non-corporate
9 entities.

10 And, yes, the Commonwealth should use some of
11 the revenue from these changes to reduce the top
12 corporate net income tax rate. Imagine if
13 Pennsylvania comes through this recession with higher
14 education, economic development, and transportation
15 intact and meets its commitment to increase the State
16 share of public school funding and reduces its
17 corporate tax rate when the economy turns around.
18 That would be a win-win for all of us.

19 It is time to pursue a constitutional change
20 to create a graduated income tax. Pennsylvania has
21 the second lowest top income tax rate of any of the 43
22 States with income taxes. And under the current
23 system, a middle-class family pays less in taxes in
24 New Jersey than in Pennsylvania, while higher-income
25 families pay much more in New Jersey and West Virginia

1 and virtually every other State.

2 In the meantime, to meet the fiscal needs
3 created by the current crisis, we should consider
4 raising the personal income tax. Expanding
5 eligibility for the tax forgiveness program would
6 blunt the impact of a PIT increase on many
7 middle-class families.

8 And we could improve the fairness of the
9 current tax system by increasing the tax rate on
10 dividends, capital gains, royalties, and other
11 non-wage income. Since most of this income is earned
12 by the top 5 percent of taxpayers, it would have
13 little effect on most Pennsylvanians.

14 The Senate plan does treat tax credit
15 programs in the same manner as expenditures and would
16 reduce tax credits by \$250 million. We think tax
17 credits need careful scrutiny, better accountability,
18 and should not be overlooked if cuts need to be made.

19 The actions that we've outlined above, taken
20 together, will help Pennsylvania weather the current
21 storm, protect seniors and our most vulnerable
22 citizens, preserve the commitment to better fund
23 education, and help us to emerge better prepared to
24 help our citizens and businesses compete in the global
25 economy.

1 Thank you for this opportunity. And I'm
2 happy to answer any questions.

3 MAJORITY CHAIRMAN EVANS: Matt.

4 PRESIDENT & CEO BROUILLETTE: Good morning.
5 I'm Matt Brouillette. I'm President of the
6 Commonwealth Foundation, a public policy think tank
7 located here in Harrisburg. I appreciate the
8 invitation to share with you the perspective and
9 analysis of the Commonwealth Foundation on Senate Bill
10 850.

11 I'd like to make a few points that I hope
12 you'll consider as you negotiate and eventually vote
13 on the State spending plan for 2009-2010.

14 First -- and most of you know this but I
15 think it needs to be repeated over and over in this
16 building -- government has no money of its own to
17 spend. It only has that which it first takes out of
18 the pockets of working Pennsylvanians in the form of
19 taxes or out of our children's future paychecks in the
20 form of additional debt.

21 Therefore, every single dollar that you tax,
22 borrow, and spend is a dollar that cannot be spent,
23 saved, or invested by the people who actually earned
24 it.

25 There are real and significant consequences

1 when you choose to increase taxes, borrow more money,
2 and spend those limited resources. It means the
3 people of Pennsylvania have less in order for you to
4 spend more. This point cannot be understated. And it
5 is critical that you recognize this fact as you
6 consider how to address the more than \$3 billion
7 shortfall in tax revenues.

8 You really only have two choices before you.
9 You can raise taxes or you can reduce spending. You
10 can do both, of course, but raising taxes during a
11 recession for more government spending is precisely
12 the wrong prescription for our current economic ills.
13 Even the Keynesian economists recognize that raising
14 taxes now would be harmful to our economy.

15 Pennsylvanians already shoulder the 11th
16 highest State and local tax burden in the nation.
17 Adding even more weight would only hinder our ability
18 to recover from the current recession. It would also
19 keep Pennsylvania at the bottom of the economic
20 competitiveness barrel.

21 So my first point is that if you were truly
22 interested in creating jobs, stimulating our economy,
23 and putting our State back on a path to prosperity,
24 which I believe all of you are, you must resist the
25 temptation to raise taxes. Instead, you need to

1 pursue policies that reduce government spending and
2 leave more capital in the private sector where real
3 jobs are created.

4 Senate Bill 850 recognizes these economic
5 realities. Although we at the Commonwealth Foundation
6 have identified spending or additional spending that
7 can and should be cut from the State spending, Senate
8 Bill 850 represents a fiscally responsible step in the
9 right direction.

10 It does so in four ways. First, Senate Bill
11 850 spends only that which the State is projected to
12 bring in from State revenues plus the Federal stimulus
13 money.

14 Second, it does not remove additional capital
15 from the productive private sector that will stimulate
16 our economy far better than any government program.

17 Third, it includes Governor Rendell's budget
18 reductions and it further reduces or eliminates
19 entirely other non-core government functions that are
20 better performed by the private sector.

21 And fourth, Senate Bill 850 recognizes and
22 takes into account that when the billions of dollars
23 in Federal stimulus money goes away in 2011, we could
24 face an even larger budget deficit than you are facing
25 right now if you fail to reduce spending. By

1 preserving the Rainy Day Fund, Senate Bill 850
2 prudently prepares for this future reality.

3 Now, the good news is that despite the
4 spending reductions in 850, the core functions of
5 government remain well funded. This bill awaits your
6 action in the House. It's hardly a bare-bones budget
7 as it has been derided by Governor Rendell, his
8 department agencies, and members of this Committee.

9 In fact, this budget bill, if enacted, would
10 represent an increase in General Fund spending of more
11 than double the rate of inflation since Governor
12 Rendell took office. Indeed, Senate Bill 850
13 increases spending above fiscal year 2002-2003 by
14 inflation plus population growth and an additional
15 \$2.8 billion.

16 Unfortunately, the rhetoric following the
17 passage of Senate Bill 850 ignores the realities of
18 this spending plan. Many organizations lobbying for
19 higher taxes and higher spending are comparing Senate
20 Bill 850 to Governor Rendell's budget proposal from
21 last February.

22 However, not only does Governor Rendell's
23 proposal fail to balance without significant tax
24 increases, it is also predicated on unrealistic future
25 revenue and spending increases.

1 On the other hand, Senate Bill 850 on total
2 K-12 education reflects a total increase of 37.6 over
3 the last seven years, an increase of 18.5 percent in
4 inflation-adjusted dollars. Public welfare has
5 increased at an even more dramatic rate, increasing
6 62.2 percent, nearly 40 percent in inflation-adjusted
7 dollars.

8 To suggest that either of these budget
9 priorities is being cut is disingenuous. And the
10 attempts to separate State spending and the Federal
11 stimulus money only further misleads the taxpayers.
12 No matter how one tries to obfuscate Senate Bill 850,
13 the reality is that even the year-over-year funding
14 for education and public welfare represents an
15 increase in overall spending.

16 In K-12 education, the Senate budget not only
17 represents a massive increase over 2002-2003 but it
18 ensures that school districts will receive
19 substantially more support.

20 Under Senate Bill 850, school districts are
21 getting the same \$6.2 billion of basic and special
22 education funding from the State as they did this
23 fiscal year, plus over \$700 million more in direct aid
24 from the Federal stimulus package.

25 When including both the State aid and

1 stimulus funding -- and remember, Pennsylvania
2 taxpayers are the ones paying both sources -- school
3 districts will receive an average 12 percent increase
4 in taxpayer subsidies.

5 Not one school district is getting less
6 revenue under Senate Bill 850. Funding increases
7 across the State range from 3.1 percent to 32.8
8 percent per school district. Only in a George Orwell
9 novel would such an increase be labeled a cut.

10 One department that has been severely cut is
11 Community and Economic Development, but deservedly so.
12 Despite all the good intentions and well-meaning
13 economic development programs, Pennsylvania is Exhibit
14 A that politicians cannot spend our State to
15 prosperity.

16 Over the years, under both Democratic and
17 Republican Governors, Pennsylvania has spent more
18 money on so-called economic development than most
19 States. Most recently, we were only second to Ohio in
20 State spending. And in previous years, we've been the
21 biggest spender.

22 Indeed, if spending taxpayer money was the
23 path to economic success, we would be thriving today
24 rather than just surviving. Yet under Governor
25 Rendell, Pennsylvania ranks 34th in job growth, 40th

1 in personal income growth, and 43rd in population
2 growth among the 50 States.

3 Many independent rankings of Pennsylvania's
4 business and economic climate also give the
5 Commonwealth poor marks relative to other States.
6 There is evidence, however, that State economies can
7 thrive when governments recognize they are incompetent
8 to create jobs or stimulate the economy through
9 spending taxpayer money. Indeed, States do much
10 better when they rely upon citizens in the private
11 sector to make economic decisions rather than
12 politicians in the State Capitol.

13 For example, the Commonwealth Foundation did
14 an analysis of 50 States showing that the States
15 spending the most on economic development had slower
16 economic growth than States spending the least.

17 In contrast, States with the lowest tax
18 burdens and those that cut taxes the most had much
19 faster economic growth than States like Pennsylvania
20 with high and rising tax burdens.

21 In other words, despite the billions of
22 taxpayer dollars spent on so-called economic
23 development, our economy has remained amongst the
24 worst performing in the nation.

25 One such program that has been excised in

1 Senate Bill 850 is the Opportunity Grant Program.
2 Certainly recipients of this corporate welfare are
3 displeased, but a recent report from Auditor General
4 Jack Wagner illustrates the flaws in this program.

5 Despite pronouncements of thousands of jobs
6 created, the Auditor General found that only 60
7 percent of the promised jobs were accounted for, and
8 even these numbers are suspect, as they are
9 self-reported by the grant recipients.

10 Furthermore, their job estimates consider
11 neither what would have happened in the absence of
12 grants or if taxpayers had kept the money themselves
13 and spent, saved, and invested it elsewhere.

14 Take the case of Harley Davidson in York.
15 They were given over \$4 million from State taxpayers
16 since 2000 but are now threatening to leave the State,
17 citing the cost of remaining in Pennsylvania. Harley
18 Davidson and many other cases point to the failure of
19 economic development spending to improve
20 Pennsylvania's economy.

21 The Department of Agriculture also has a few
22 line items being cut, but these cuts hardly justify
23 the rhetoric that Pennsylvanians will somehow starve.
24 The largest line items being cut are payments to
25 Pennsylvania fairs, agriculture research, crop

1 insurance, and agricultural promotion education and
2 exports.

3 Not only do these programs not put food on
4 the table, they largely don't even directly benefit
5 farmers. Even if they did, there is little
6 justification for subsidizing agriculture at the
7 expense of all other taxpayers.

8 The average Pennsylvania farmer receives very
9 little from agricultural subsidies; most money goes to
10 corporate farms and land owners. Pennsylvania and the
11 U.S. would be better off eliminating agriculture
12 subsidies altogether like New Zealand did in 1986,
13 spurring dramatic growth and their farm production as
14 the private allocation of money replaced the political
15 redistribution of wealth.

16 More importantly than the specific cuts,
17 Senate Bill 850 does a much better job of protecting
18 taxpayers in the coming years. That approach outlined
19 by Governor Rendell is fiscally irresponsible.
20 Rendell would consume the entire Rainy Day Fund, as
21 well as other one-time revenue sources, in the next
22 couple of years, even though new Federal support is
23 limited.

24 How will this approach deal with the budget
25 gap created when the stimulus money disappears in two

1 years? For starters, Governor Rendell's budget
2 estimates assume the rosiest possible scenario, a 10.1
3 percent revenue increase in 2010-2011 followed by 6.3
4 percent in 2011-2012.

5 Further failing the reality test, Governor
6 Rendell's budget assumes fiscal restraint in the next
7 two budget cycles, an increase in spending of only 1.9
8 percent in 2010 and a meager .6 percent in 2011. Yet,
9 facing a multi-billion-dollar shortfall this year, he
10 is unwilling to practice this type of spending
11 restraint today.

12 Governor Rendell's budget also fails to take
13 into account the looming crisis in the State pension
14 systems. Taxpayer contributions are projected by SERS
15 and PSERS officials to increase by about 600 percent
16 beginning in 2012-2013, an increase amounting to about
17 \$3.5 billion at just the State level. Where will the
18 money come from to pay these bills?

19 One proposal that has floated is increasing
20 the State personal income tax by 1 percent and perhaps
21 even 2 percent. Yet, as noted earlier, States raising
22 taxes or raising taxes is the worst thing to do at a
23 time when the economy is sputtering.

24 Our analysis, using a dynamic economic
25 modeling program developed by the Beacon Hill

1 Institute at Suffolk University, indicates that a 1
2 percent increase in the State PIT would result in a
3 net loss of over 47,000 jobs, on top of the jobs
4 Pennsylvania has already lost and is currently losing.
5 A 2 percent PIT increase would result in 94,000 fewer
6 jobs next year.

7 So with only two options to address our
8 current budget problems, raising taxes or reducing
9 spending, will you be able to look at your
10 constituents in the eye and justify another tax
11 increase? Will you explain to them why you need more
12 of their money while also giving tax credits to
13 Hollywood film producers to produce movies such as
14 Zack and Miri Make a Porno for \$5.7 million?

15 Will you tell them why you need higher taxes
16 to build a new soccer stadium in Chester or pay for a
17 new minor league baseball scoreboard in Harrisburg?
18 And will you be able to justify raising their taxes
19 while also spending hundreds of thousands of dollars
20 on golf course renovations and ski resort
21 improvements?

22 Obviously, we believe now is the time to
23 practice fiscal restraint and rein in wasteful
24 spending. And we believe Senate Bill 850 represents a
25 significant step in the right direction that will put

1 Pennsylvania on a path toward economic recovery and
2 prosperity.

3 Thank you. And I look forward to your
4 questions.

5 MAJORITY CHAIRMAN EVANS: Let me announce to
6 the members that what I'd like to do -- we have a
7 panel at 11 o'clock. I'm going to end this at 11.
8 That gives us a chance for some conversation.

9 To both of the panelists, when I first said
10 this to the Chairman, he probably looked at me like I
11 was crazy for this idea of doing a hearing.

12 And maybe the nature of the word hearing we
13 need to change somewhat. Really what I'm looking for
14 is a conversation.

15 Sharon, you have your views and, Matt, you
16 have your views. You kind of came with your view and
17 Matt came with his.

18 And what we have is a dilemma for 12 million
19 people. You can kind of hold your position. You can
20 hold your position. But we here have to figure out
21 how we solve it. All right. We have to figure out
22 how we solve it.

23 And we could get into the extremes of it, but
24 that's not the nature of the process. The nature of
25 the process is we must compromise and we must figure

1 out a way to do the best thing that we can do for 12
2 million people.

3 And ultimately, the objective is economic
4 growth. That's the ultimate objective. Businesses
5 must grow. Jobs must grow. We must be concerned
6 about those who haven't been concerned because the
7 reality of it is somebody has to address that issue.

8 And I do believe government is obviously in a
9 different unique role than the private sector. So
10 what I'm most interested in is a form of a
11 conversation.

12 The two of you gave your testimony. I heard
13 Sharon give her view about taxes and I heard Matt gave
14 his view about taxes and your group of economists and
15 your group of economists.

16 But I'm trying to figure out, how do we look
17 at the short term and the long term? I mean, I
18 understand you came with your views, but we're trying
19 to get beyond that. We're trying to get into a
20 conversation.

21 Most people, I believe, no matter Democrat,
22 Republican, liberal, or conservative, want us to work
23 together and want us to figure out what's best.

24 And the reason I decided to do these
25 hearings, which is highly unusual in the nature of

1 this process, because, you're right, six or seven of
2 us get in a room, we make the decisions and then we
3 pop it out.

4 But this time we're doing it in the light of
5 day. It's 10:30 in the morning. We'll be here for
6 two days.

7 So you understand the flow that I want to go
8 with. I'm looking for a conversation. I mean, you've
9 given your testimony. And from both of you, you know,
10 in terms of what you have heard from each other, is
11 there any commonality, except that we know we have a
12 problem, in terms of moving us forward?

13 I mean, I heard your good one-liners, Matt.
14 And you're good at that and I understand that. But
15 it's a little bit more than one-liners. It's a fact
16 of, you know, how do we move ourselves forward?
17 That's kind of what I'm interested in.

18 PRESIDENT & CEO BROUILLETTE: I think that
19 the first thing is to agree on the numbers. What I
20 hear out there in the conversation is not a totality
21 of the picture. There's a lot of cherry picking.
22 There's a focus just on the State spending excluding
23 the Federal money.

24 It's the same taxpayer dollar. It's green
25 going into the school district or into public welfare.

1 We're spending more.

2 And so I think a focus on -- whether it's
3 just focusing on basic education subsidy and saying
4 there's a cut, this is going to drive up property tax
5 increases, is being disingenuous.

6 So I think the first step is to say, well,
7 here are the real numbers. This budget in 850
8 represents an increase in spending on the two primary
9 priority areas for the State: education and public
10 welfare.

11 I don't think that you can look at the
12 numbers and say that there are cuts in these programs.
13 So I think that that's the first thing. It's
14 unfortunate that there's cherry picking going on in
15 the numbers and not looking at the total picture.

16 So I think that's the first thing. We hear
17 this all the time, a focus just on State dollars
18 without looking at the Federal stimulus. Those are
19 real dollars going in and that's going to be spent.
20 It's going to be used over the next couple of years.

21 So I think we need to make sure that we're
22 looking at the totality of the picture and not
23 selective views of certain programs within the budget.

24 EXECUTIVE DIRECTOR WARD: Let me add to that.

25 MAJORITY CHAIRMAN EVANS: Sure. Sharon, can

1 you move the microphone a little closer to you,
2 please?

3 EXECUTIVE DIRECTOR WARD: I'm sorry. I keep
4 moving it away from me.

5 A couple things. First, I agree with Matt
6 that probably the revenue projections for the future
7 from the Governor's Office and the expenditure and
8 projections are probably on the one hand overestimated
9 and on the other underestimated.

10 I agree with Matt that this doesn't even
11 include fiscal year 2011, where the pension issue and
12 the transportation funding gap are also going to hit,
13 so the problem will continue into the future.

14 I disagree in a couple of areas. And I think
15 just to sort of set straight a little bit about
16 differing perspectives.

17 In terms of education funding, two things.
18 One is while there are Federal funds that are going to
19 school districts, there is no increase to meet the
20 adequacy increment for this second year. And we are
21 cutting a whopping amount of State General Fund
22 dollars out of education that we are going to have a
23 really hard time replacing two years from now.

24 So as you seek to make decisions about what
25 to do, you are taking our largest expenditure and

1 potentially putting it in jeopardy. So that is
2 really, I think, what the issue is with respect to
3 education.

4 Do you use this opportunity to keep the
5 promise to kids that you're setting higher performance
6 standards for them and you're going to give them the
7 money to help them achieve those standards and do you
8 not jeopardize school funding down the road?

9 Just two points that I want to differ with
10 Matt on. And then I think there are other areas that
11 we actually are in agreement on, some of these tax
12 credit issues; and the film tax credit is one of them.

13 Two things. Matt's perspective on the role
14 of public spending and economic growth, we have a
15 fundamental disagreement with on two levels.

16 One is if a business spends a dollar, it's
17 presumed to be spent in a way that generates
18 additional economic growth. And if a government
19 spends a dollar, it presumes to fall with a thud and
20 not do anything. That's simply not the case.

21 If you cut a job in a factory or you cut a
22 State worker's job, you're taking money out of the
23 economy and that has implications for spending. So
24 those things are comparable.

25 Similarly, when State government spends money

1 on everything from roads to libraries to arts, those
2 things generate additional economic benefits to those
3 communities.

4 And while Matt says that tax dollars come to
5 Harrisburg and they're not our dollars, it's also not
6 your dollars. They're certainly not my dollars.

7 Those dollars all go back into your
8 communities. It's not as though there's a giant vault
9 sitting under the Capitol where all the State tax
10 dollars go. That money goes right back into your
11 communities. It creates jobs in your districts and it
12 provides services in those districts.

13 And the second, businesses rely on the kinds
14 of goods that only government can provide, public
15 goods, including transportation, including roads and
16 bridges, including education and higher education.
17 Those types of services are necessary for economic
18 growth.

19 There is not a mad rush of businesses into
20 Mississippi. They don't spend enough money and their
21 work force isn't sufficiently educated to really
22 generate any kind of economic -- to build their
23 economy. We have to find a balance. We can't cut
24 everything. We do need to invest in public goods and
25 we need to recognize that public spending does help

1 keep people in jobs and keep them buying in local
2 businesses that helps those businesses get through the
3 recession.

4 PRESIDENT & CEO BROUILLETTE: I think this
5 shows the fundamental difference of how money is best
6 spent and who can make the best decisions about how to
7 allocate that money.

8 While it is true certainly every dollar taken
9 out of the private sector and brought into the public
10 sector is redistributed, however, those are political
11 allocations rather than economic allocations. And
12 that is the failure of where government cannot produce
13 the kinds of results that the private sector can when
14 we allow for those investments, those spending
15 decisions, the savings to go on by those who earn it
16 rather than the political decisions in Harrisburg.

17 And the reality is that it hasn't worked.
18 Pennsylvania has been amongst the highest spenders of
19 the kind of allocation that Sharon is talking about.
20 Yet look at where we are in every key economic
21 indicator.

22 So no matter how you cut it, we're not doing
23 it very well. I don't know if we don't have the
24 smartest people doing it or what, but the reality is
25 government cannot spend money better than can the

1 private sector.

2 And that's truly where real jobs are going to
3 be created, not by decisions in Harrisburg, but by
4 people out working in their communities all across
5 Pennsylvania. In fact, if we would have just held
6 State spending to inflation and population growth from
7 Governor Rendell's first year, we would be looking at
8 a \$1 billion surplus this year rather than a \$3
9 billion deficit.

10 And we could have also returned nearly \$16
11 billion to the taxpayers of Pennsylvania. That's over
12 \$5,000 for every family of four. To me, that is real
13 economic stimulus, leaving the money with the people
14 who have earned it so that they can spend, save, and
15 invest how they see fit. That has been the path to
16 prosperity in the past and it certainly will be in our
17 future.

18 EXECUTIVE DIRECTOR WARD: Clearly, we have
19 differences of opinion, as you see.

20 Just a couple of things. One is that, again,
21 I think there has to be a balanced approach. And
22 that's really what most States are doing.

23 A number of States began to experience budget
24 deficits in last fiscal year. And a lot of those
25 States enacted major cuts in what's happening this

1 year and next year.

2 And what's happening next year and the
3 following year are that States have found even with
4 significant cuts, they really haven't been able to
5 close their budget gaps. So I think just in terms of
6 a practical point of view, we've got to take a look at
7 how you balance these things.

8 Secondly, one point that I wanted to get back
9 to that Matt raised with respect to taxes is that we
10 use a different -- we use a slightly different set of
11 data to look at taxes and expenditures and compare
12 them with other States. And so our ranking numbers
13 are different from the ones that Matt would use for a
14 variety of reasons around the methodology of the tax
15 foundation that changes every year. We use a census,
16 which is a little bit more consistent.

17 But the point that he does make and is one
18 that you have to consider is that even by our
19 standards or the data we use, while Pennsylvania ranks
20 32nd in spending for States only, it's ranking goes to
21 19th for State and local spending and local taxes.
22 They're way up there.

23 We put more of the cost of government
24 expenditures and public services including education
25 on local governments. And so where that's not true in

1 other States, the issue of the relationship between
2 what happens here in Harrisburg to local property
3 taxes is a real one and that's another confounding
4 factor that you need to take into consideration.

5 MAJORITY CHAIRMAN EVANS: Chairman Civera.

6 MINORITY CHAIRMAN CIVERA: Thank you,
7 Mr. Chairman.

8 Just an observation. And I think the
9 position that the Legislature basically is in at this
10 point in time, as a small businessman, the person that
11 has a business in Pennsylvania or any other State,
12 they need to project or have some idea of what a year
13 out is going to do, year two is going to do, and
14 whether that business is going to land on its feet to
15 be secure.

16 The issue comes out this year that the word
17 caution has to be taken. And with the stimulus money
18 that's coming in to Pennsylvania and everything that
19 we have to deal with, the idea of a number -- and we
20 had used that concept a couple of years ago in order
21 to balance a budget -- that gives you -- the spend
22 number gives you an idea of where you're going to be
23 within that year and within the next year out.

24 The caution part of it is with the way the
25 economy is is that basically the economy was what was

1 reflected in Senate Bill 850. There are programs that
2 were eliminated in Senate Bill 850 that I have
3 supported in the past.

4 The situation is this: If we are to turn in
5 the direction and say, you know what, we're going to
6 fill that deficit with an increase in the tax, where
7 does that bring you in '11 and '12? And that's what I
8 am really concerned about as far as DPW, as far as
9 education.

10 And, Matt, you kind of laid the land there a
11 little bit. And, Sharon, you gave us the other side
12 of it as far as, you know, this is what you need to
13 face as far as programs are concerned. This is what
14 we have to balance.

15 If you increase the tax, okay, in '11 and
16 '12, where does that -- we have to balance this year
17 because the constitution tells us. We know that this
18 economy has not pulled it yet. We haven't seen
19 increases where we can say, oh, there's a light at the
20 end of the tunnel.

21 That's what I am concerned about, the word
22 caution. I'm not going to be here in '11 and '12.
23 I'm leaving this year, but I still have a conscience.
24 Where does this take us? What happens to the
25 Legislature? Governor Rendell is not going to be

1 here.

2 That's what my concern is. We're lucky the
3 stimulus money came in. You could debate the issue of
4 education, whether I happen to believe that the plan
5 in education is not as disastrous as everybody is
6 making it to be, but I'm willing to discuss it .

7 Basically, my personal belief is, what
8 happens in '11 and '12? If you can tell me that '11
9 and '12 -- and nobody sitting at that table is going
10 to be able to tell me that. Nobody has a crystal
11 ball. Nobody last year this time -- we were talking
12 about surpluses and the year before that, two years
13 later, who would ever believe that this economy would
14 swing. And based on this economy is why we have this
15 discussion here this morning as far as Senate Bill
16 850. The Senate didn't write this bill. The economy
17 wrote it.

18 PRESIDENT & CEO BROUILLETTE: Well, I think
19 that you're being very fiscally prudent in that. We
20 don't know where the end of this is. Economists are
21 saying, well, by the end of 2009, we always know that
22 Pennsylvania is late into recession and slow getting
23 out. That could mean that this could last a lot
24 longer for us than even Senate Bill 850 recognizes.

25 In fact, that's why we would say that we

1 probably ought to be cutting even more from this
2 budget to make sure that we don't have a massive hole
3 when that Federal money dries up and if our economy
4 hasn't recovered.

5 I mean, Governor Rendell's projection of 10.1
6 percent revenue growth in 2010-'11, I think, is --
7 that fails the laugh test when we are continuing to
8 lose money here in May even.

9 Projections are for over a \$3.2 billion
10 deficit. We don't know if the end is in sight. So I
11 think it is very important for us -- and the reality
12 is this Federal stimulus money is going to increase
13 spending even over education. When you add it all in,
14 we will have over 400 million more spending in public
15 education than we do even under the budget that is
16 unbalanced, the current freeze that Governor Rendell
17 has.

18 So I think that, you know, if anything, this
19 is still too rosy of a picture. So I agree with you.
20 And that's the caution, I think, that we ought to be
21 taking in going into this budget.

22 Rather than hoping for the best and planning
23 for the best, we ought to be hoping for the best but
24 plan for the worst.

25 EXECUTIVE DIRECTOR WARD: I'm not in the

1 prediction business, but just a little bit of
2 reflection from past experience.

3 It generally has -- over the past two
4 recessions, it's taken Pennsylvania about two years to
5 get tax revenue back to the levels, the pre-recession
6 levels. That was true in 1991 and it was also true in
7 2001.

8 And what will happen is that the stock market
9 and industrial production will begin to increase. And
10 that means corporate profits will begin to show an
11 increase. But labor markets tend to lag behind them.
12 So we'll see unemployment even potentially stabilize
13 or even continue to decline during that period.

14 The only good sign that I can see in our tax
15 revenue picture for this year is that in April, most
16 of the decline in the estimates was in the personal
17 income tax and taxes paid on wages but not in
18 withholding income, which means that this is where we
19 really saw the -- we took the big hit for last year,
20 both on the corporate side and on the personal income
21 tax side.

22 In fact, personal income tax from wages --
23 I'm starting to sound like our economist -- haven't
24 met estimates this year but are running ahead of last
25 year. And I think that's the only revenue area where

1 we're actually holding our own.

2 So I think the issue is true that it's going
3 to take us awhile to get out of it. And again, I
4 think that's why when you look at the tax side of
5 things, we have a couple of issues.

6 Some of the stuff, it does make me scratch my
7 head. We don't have the excise tax on smokeless
8 tobacco and non-tobacco products. Whatever that
9 battle was over the impact on the industry and jobs,
10 that battle has long been fought. You know, 49 of 50
11 States already have that tax. It seems a little bit
12 like we're fighting a battle that has long since been
13 settled.

14 Similarly, with the severance tax, there is
15 really just no evidence that that's going to have an
16 appreciable impact on the development of the industry.
17 West Virginia's severance tax was increased two years
18 ago. The number of wells and production continue to
19 increase. There's really no reason not to do that.

20 And the way I like to think of it is, if you
21 look at the impact of a severance tax on well
22 drilling, you can have 100 percent of the wells and
23 zero income or you can have 95 percent of the wells
24 and the employment that goes with them and four
25 hundred to six hundred million dollars. It seems like

1 that's simply a better deal.

2 And finally, the other piece on the tax side.
3 I want to get back to the reform issue. We should fix
4 our tax system. We really should. We should fix our
5 corporate tax system.

6 Some people get a really sweet deal. And
7 mostly Pennsylvania companies that don't have the
8 capacity to move income around pay that high income
9 tax rate. A lot of small businesses pay the personal
10 income tax rate, which is the lowest in the country.

11 So you would think if low tax rates spurred
12 economic development, we would be just growing by
13 leaps and bounds. We have the lowest tax rate on
14 pass-through entities, on all of the non-corporate
15 entities in the country. That has not helped. So
16 it's got to be something else.

17 And again, there are no silver bullets on
18 this. It's a mixture of things.

19 And if we want to help, I think, grow, we
20 need to look at taxing more from people whose income
21 has grown more. Most of the income growth in this
22 decade has been concentrated in the top 10 percent of
23 taxpayers.

24 We have no way of capturing that. And it
25 simply means that the tax rates that we have to charge

1 for middle-income families have to be higher.

2 I don't want to do that. If we changed our
3 Constitution, if we added a graduated income tax with
4 a reasonable personal exemption level for individuals,
5 we could actually reduce the tax burden on
6 middle-income families. That's tax reform.

7 I think that's what we need to be looking at
8 as well as we do need to do something about the top
9 corporate tax income rate.

10 MAJORITY CHAIRMAN EVANS: Representative
11 Frankel.

12 REPRESENTATIVE FRANKEL: Thank you,
13 Mr. Chairman.

14 One of the things that we hear is that
15 Pennsylvania, with all the challenges that are
16 confronting us, when you compare us to other States
17 across the country, is in better shape in this -- I
18 mean, not good shape by any stretch, given these
19 challenges, but we don't seem to have the depths of
20 the revenue problems that other States are
21 experiencing.

22 Can you speak to that?

23 EXECUTIVE DIRECTOR WARD: Yes. That's true.
24 And Matt is right. We do tend to come late into
25 recessions and late out of them.

1 But we are not experiencing either the high
2 unemployment that other States are experiencing.
3 California's unemployment rate is 11 percent. I think
4 Oregon, you know, is over 12 percent. I mean, there
5 are some States that are really suffering.

6 REPRESENTATIVE FRANKEL: Right.

7 EXECUTIVE DIRECTOR WARD: Nevada's
8 unemployment is just through the roof there. So, no,
9 we have not lost the same number of jobs.

10 Unfortunately, where we've been hit here is
11 where we're always hit, which is in the manufacturing
12 sector. We were just starting to see a rebound in
13 that sector mostly frankly because of higher oil
14 prices.

15 I mean, not to go off on a tangent, but when
16 we've got -- when we increased transportation costs,
17 it's actually better for U.S. manufacturing. But
18 that's another issue.

19 So, you're right. We're not in as bad of
20 shape as other States.

21 REPRESENTATIVE FRANKEL: This Administration
22 has not necessarily mismanaged things to the extent
23 that it put us in such a vulnerable spot.

24 EXECUTIVE DIRECTOR WARD: No. And let me
25 just say, to be bipartisan about this, both the Ridge

1 Administration and the Rendell Administration have had
2 an economic development strategy that focuses on eds
3 and meds. It focuses on education and the health care
4 sector, which we already had a very firm foundation.
5 They are largely recession proof. And we've seen
6 growth in those areas.

7 So that economic development strategy I think
8 has helped to insulate us from some of the problems
9 that we've seen in other States.

10 PRESIDENT & CEO BROUILLETTE: I would warn
11 against taking solace that others are sicker than we
12 are. I mean, the reality is that a more than 10
13 percent budget deficit is the result of overspending.

14 And so I wouldn't take solace in the fact
15 that California has a multi-billion-dollar deficit
16 over ours.

17 REPRESENTATIVE FRANKEL: I would disagree
18 with you at the end of the day. I think it's
19 indicative that it's not necessarily a response of
20 overspending. I think it's a response of recession.
21 States across this country are experiencing these
22 sorts of things. And it's mitigated somewhat here,
23 which would indicate to me that we have handled our
24 budget in a responsible manner over the past
25 Administration.

1 And quite frankly, you know, Republican
2 Administrations and Democratic Administrations in the
3 past, if you look at history, have gone through
4 recessions and had to raise taxes and subsequently
5 lower taxes. I mean, that is the nature of
6 government.

7 It is not necessarily a one-way street to
8 measure our effectiveness or our ability to lower your
9 taxes every single year. The fact of the matter is
10 Dick Thornburgh had to raise taxes, in a recession,
11 Governor Casey had to raise taxes, Governor Ridge had
12 to raise taxes, and Governor Rendell had to raise
13 taxes. And each one of them also lowered taxes.

14 PRESIDENT & CEO BROUILLETTE: Well, that's
15 why when you look over the long term from 1970 to
16 2008, we are at the very bottom of every key economic
17 indicator, whether it's income growth, job growth,
18 population growth. We are either 48th or 49th. So
19 that strategy of both Democrats and Republicans to
20 raise spending, raise taxes, has not helped us out
21 economically.

22 REPRESENTATIVE FRANKEL: Well, I think that
23 we're looking at an economy that is healthier and
24 stronger than many of our competitors across this
25 country. And I do think that we have seen

1 improvements in Pennsylvania in terms of economic
2 vitality.

3 Sharon, let me ask you another question with
4 respect to an area I think you didn't go into greatly.

5 EXECUTIVE DIRECTOR WARD: Sure.

6 REPRESENTATIVE FRANKEL: Obviously, one of
7 the areas that is going to be under enormous pressure
8 is medical assistance. With higher numbers of people
9 unemployed in this environment, the demand is high.

10 EXECUTIVE DIRECTOR WARD: Yes.

11 REPRESENTATIVE FRANKEL: Senate Bill 850,
12 while it uses the Federal stimulus money, still cuts
13 out additional Medicaid funds from the State side than
14 Governor Rendell to the tune of over \$200 million,
15 which, in my view, also leverages Federal dollars that
16 would help.

17 That doesn't seem to me to be a responsible
18 response to a State in need and a core government
19 function that we have responsibility to maintain. And
20 there are other areas in the Department of Public
21 Welfare that support people who are trying to work,
22 child care services, subsidies, other areas where this
23 budget that was passed by the Senate penalizes
24 Pennsylvanians who are struggling during a recession.

25 Maybe you can speak to that area.

1 MAJORITY CHAIRMAN EVANS: Sharon, can you be
2 tight with your answer?

3 EXECUTIVE DIRECTOR WARD: Yes.

4 MAJORITY CHAIRMAN EVANS: I have to keep on
5 schedule.

6 EXECUTIVE DIRECTOR WARD: I'm just going to
7 -- you're going to hear from a lot of other people who
8 are going to go into specifics on those issues. So
9 I'm probably just going to defer to that.

10 You've got a whole host of panels who can
11 give you a lot more detail than I can about that.

12 Just the behavioral health services that were
13 already being cut, those are precisely the services
14 that fill that gap between people who are eligible for
15 medical assistance and those that aren't.

16 So that was the fund that helped those people
17 who don't have health insurance and aren't eligible
18 for medical assistance get those kinds of services.

19 And just in terms of the child care piece,
20 the Senate bill does cut some child care funds and
21 surpland some with Federal funds and you can't do
22 that. Actually, there is a provision in the child
23 care funds.

24 But many other people can give you the
25 details.

1 MAJORITY CHAIRMAN EVANS: Do you have a
2 response do that, Matt?

3 PRESIDENT & CEO BROUILLETTE: With that, no.
4 But I do want to --

5 REPRESENTATIVE FRANKEL: Let me ask you, do
6 you view that as a core government responsibility?

7 PRESIDENT & CEO BROUILLETTE: I'm sorry?

8 REPRESENTATIVE FRANKEL: Do you view those as
9 core government responsibilities?

10 PRESIDENT & CEO BROUILLETTE: Sure. The
11 medical -- and in fact, Senate Bill 850 protects all
12 of those core government responsibilities that have
13 been outlined in the budget.

14 So I don't think we're talking about cutting
15 those in Senate Bill 850.

16 MAJORITY CHAIRMAN EVANS: This will be the
17 last person.

18 Representative Stevenson.

19 REPRESENTATIVE STEVENSON: Thank you,
20 Mr. Chairman.

21 I'm aware we're very close to our time
22 allotted here. I appreciate the testimony of both of
23 you this morning. And I think it's clear that you
24 epitomize the two extremes or the great differences
25 we're facing here as a General Assembly as we try to

1 reconcile the challenges we face in this budget.

2 Ms. Ward, if I can start with you.

3 EXECUTIVE DIRECTOR WARD: Yes.

4 REPRESENTATIVE STEVENSON: One of the things
5 that seems apparent to me at least is when we look at
6 the projections of income or revenue for next year,
7 they're estimated to be about 26.2 billion.

8 The Senate budget that we have in front of us
9 projects to spend about a billion more than that,
10 27.2. So it's already projected to spend a billion
11 dollars more than the income we expect to receive next
12 year. So in that sense, it's well above what we think
13 we'll be getting.

14 Your projections here seem to ask for much
15 greater spending than Senate Bill 850. How would you
16 reconcile that with the projected revenue for next
17 year?

18 EXECUTIVE DIRECTOR WARD: I guess there were
19 two areas. About a billion dollars in transfers that
20 the Senate Bill does not include, the Rainy Day Fund
21 and the Health Care Provider Retention. And then
22 there were some other revenue proposals the Governor
23 had included. Again, limited tax increases, including
24 the smokeless tobacco, non-tobacco products, and the
25 severance tax revenue.

1 The Senate budget does include a couple of
2 other things. They do move some of the tobacco
3 settlement -- some tobacco tax money out of the MCARE
4 Fund, out of the provider retention account.

5 So that's some of the reason why that occurs.
6 And they've got some other revenue pieces in there.
7 That probably explains the difference.

8 REPRESENTATIVE STEVENSON: So by using those
9 other revenue streams, you would balance that budget
10 for next year is what you're saying? You would go in
11 excess of that to fund the things that you're talking
12 about?

13 EXECUTIVE DIRECTOR WARD: Yes.

14 REPRESENTATIVE STEVENSON: What would be your
15 spend number for next year? If we're receiving 26.2,
16 have you worked that out?

17 EXECUTIVE DIRECTOR WARD: No. I have to tell
18 you I haven't. I haven't set a targeted number at
19 this.

20 REPRESENTATIVE STEVENSON: Thank you.

21 EXECUTIVE DIRECTOR WARD: Sure.

22 REPRESENTATIVE STEVENSON: And,
23 Mr. Brouillette, again, thank you for your testimony
24 this morning.

25 PRESIDENT & CEO BROUILLETTE: Thank you.

1 spend. But the people of Pennsylvania will be poor
2 for it.

3 REPRESENTATIVE STEVENSON: Thank you.

4 PRESIDENT & CEO BROUILLETTE: Sure.

5 REPRESENTATIVE STEVENSON: Thank you,
6 Mr. Chairman.

7 MAJORITY CHAIRMAN EVANS: One, I want to
8 thank you both for your conversation to us today. I
9 think, one, it's been very helpful. I know it's been
10 helpful to me and members of this Committee.

11 EXECUTIVE DIRECTOR WARD: Thank you.

12 MAJORITY CHAIRMAN EVANS: We have a long way
13 to go. We really seriously appreciate what your
14 organizations do for the Commonwealth of Pennsylvania.
15 We really appreciate that.

16 I'd like to thank both of you.

17 (The panel concluded at 11:00 a.m.)
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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Jean M. Davis
Notary Public

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