

It's estimated that during the American Revolution those leading the effort to forge a new nation never enjoyed the popular support of more than one-third of the colonial citizens. An estimated one-third or more opposed the break with Britain and the change in government. The balance just didn't care either way. All things considered, after a messy start and a few hiccups the "American Experiment" turned out pretty well. Let's pray for a similar long-term outcome from Sunday's elections in Iraq.

1.) THE SWITCH APPEARS TO BE ON. Last week's *pegALERT* included a story that Democrat state House member Michael Diven was considering a party switch to run in the 42nd Senate district special election as a Republican. It appears the party switch will in fact occur with an official announcement expected on Monday. Senate Republicans have promised Diven a strong commitment in his bid to win the Senate seat vacated by now Auditor General Jack Wagner. In a *Pittsburgh Tribune Review* article this week, Diven said: "Officially, the decision hasn't been made. It can't be made until I meet with my staunch supporters." Official is the key word here...all signs indicate that an agreement has already been reached with Senate Republican leaders. Diven has a fair voting record on business issues. He's been with labor on UC and related matters, but he's been helpful to the business community on tort reform and the defeat of anti-development legislation. This move is likely the best hope for PEG and our members to pick-up an ally in the 42nd district Special Election. While a Diven win isn't a "lock," Republicans are proving time and time again that conservative western Democrats will vote for GOP candidates. Recruiting Diven is another masterstroke by Senate GOP leaders and another indictment of Democrat Leadership in both chambers. House Democrats leaders would be delighted to see Diven go.

2.) WASHINGTON APPEARS TO BE PICK IN 4TH. Meetings last week of Democrat party officials in Philadelphia and Montgomery County concluded with apparent unanimous support to endorse state Representative LeAnna Washington for the 4th district Senate special election. The 4th district seat was previously held by Congresswoman Allyson Schwartz. Democrats hold about a 4 to 1 registration advantage in the district and it is unclear whether the Republicans will even run a candidate. Part of the expensive Philadelphia media market, a campaign would require significant resources. Assuming Rep. Washington is elected, a special election would be necessary to replace her in the House. City Councilwoman Marian Tasco, leader of the 50th Ward, wants Cherelle Parker, a special assistant in her office, to be the Democrat nominee and according to the *Philadelphia Inquirer*, she will likely get her way.

3.) RIDE SALLIE MAE RIDE. When should the government provide services a private sector firm is willing and capable of providing? It's a question that has been asked often in Harrisburg and Washington, DC on subjects as diverse as liquor sales, prison management, and basic education. How about lending? Seems the private sector is pretty good at banking. This month a private sector firm of sizable assets is asking the question "Why does the Pennsylvania government need a monopoly on the student loan business. Virginia-based Sallie Mae has offered \$1 billion (some suggest the ante is now considerably higher) to essentially "buy-out" the Pennsylvania Higher Education Assistance Agency (PHEAA). The state agency is fighting back calling on legislators to reject the largesse and even working with third party issue advocacy groups to air commercials looking for grass roots support. Opponents to Sallie Mae say it's wrong to give one firm a monopoly. But it's right to give a monopoly to the government? Opponents say Sallie Mae will worry more about profits than about providing the best rates to students. Some might argue, however, that PHEAA was single-mindedly focused on the welfare of students it might reduce costs. When the Harrisburg *Patriot News* listed the top 10 highest salaries in Pennsylvania Government, nine of them were at PHEAA. (The other was the Chancellor of the State System of Higher Education. Apparently the Governor is in the wrong business.)

Interestingly Sallie Mae began its life as a government agency, but went private. The company was created by Congress in 1972 as a government-sponsored enterprise (GSE). The firm began privatizing its operations in 1997 and ended all ties with the federal government in 2004. According to the firm's website, "The company primarily provides federally guaranteed student loans originated under the Federal Family Education Loan Program, and offers comprehensive information and resources to assist students, parents and guidance professionals with the financial aid process. Sallie Mae currently owns or manages student loans for more than 7 million borrowers, and employs more than 9,000 individuals at offices nationwide. Sallie Mae is listed on both the Fortune 500 and the Forbes 500." Sallie Mae has such a high reputation for efficiency in collections that a joke making the rounds in DC last year suggested that if President Bush were serious about finding Osama Bin Laden, he'd have the CIA dummy up documents showing an outstanding student debt. Sallie Mae has offered to maintain processing offices (and the PHEAA staff who currently hold those jobs) in Pennsylvania. Isn't an offer like this worth some serious thought?

4.) REPUBLICANS OFFER THEIR OWN ENVIRONMENTAL INITIATIVE. While Governor Rendell's top issue is currently trying to find more funding for mass transit, he has also made clear that his other priority early in the 2005-06 legislative session is Growing Greener II. The Governor's plan calls for the state to borrow \$800 million to be paid for

through increased fees on waste disposal and new fees on businesses that release toxic wastes. The funds would pay for farmland and open space preservation; cleanup of hazardous waste sites and acid drainage from abandoned mines; and state parks. The \$800 million bond would have to be approved by the voters. First, both legislative chambers would have to approve the wording of the referendum. For the issue to appear on the May primary ballot as Governor Rendell hopes, the legislature would have to approve it by mid-March.

However, in an effort to eliminate fee increases, House Republicans offered their own environmental initiative on Wednesday dubbed "Green PA." The program is a 28-year, \$2 billion proposal that would address the same environmental issues as Growing Greener II. The program would be partially funded by an \$800 million taxpayer approved bond issue (same as Rendell's except that it would be released over 7 years instead of 4 years). The entire \$2 billion initiative would be paid for by combining accrued interest and by "removing the sunset" (government-speak for reneging on a promise to make a fee or tax temporary) on the existing \$4.25 surcharge on tipping fees. People in the corporate community and waste industry concede they never really expected the tipping fee surcharge to be removed. In fact they expected those funds to be diverted to other issues and appreciate that at least this proposal links the fees to a related use. The House Appropriations Committee estimates a \$179 million endowment will remain for future investments upon the completion of the initiative in 2033. For more information on this plan, visit the Green PA web site at:

[http://appropriations.pahousegov.com/index.cfm?SectionID=16&ParentID=0&SectionTypeID=2&SectionTree=16&/a>](http://appropriations.pahousegov.com/index.cfm?SectionID=16&ParentID=0&SectionTypeID=2&SectionTree=16&/)

5.) SALES TAX TO RECEIPTS TAX AND BACK TO SALES TAX. Give state Rep. Sam Rohrer and the conservative self-titled "Commonwealth Caucus" this: they listen to others, revisit their work and seek consensus. In the last session we learned of the "Four Percent Plan" to eliminate school property taxes altogether and replace them with a 4.0 percent across the board sales and use tax. Later the plan was modified to a 4.5 percent business receipts tax. The comprehensive legislation will be introduced next week, this time as a 5.0 percent nearly-across the board sales tax. There will be some exemptions. While food and clothing would be taxed for the first time in Pennsylvania history, medical services would be exempt – partially in agreement with those who say health already costs too much and partially for technical tax collection reasons that would make imposing the tax on health services very unwieldy. There are other exemptions in the proposal designed to stop the "pyramiding" of taxes through a chain of business transactions. On the spending side, proponents say their measure would guarantee that school districts get the tax revenues they currently collect and would have access to additional revenues if they can demonstrate the need. The proposal would also seek to eliminate unfunded state mandates and reduce school construction costs. As a sweetener to school districts, the legislation will reportedly provide for the state to assume the current \$22 billion of school debt. For Pennsylvania citizens there is a promise to eliminate not only property taxes, but ultimately earned income taxes as well. It will take a good deal of work to move the proposal along, but the Commonwealth Caucus is engaged in a major communications effort. With more and more people believing that promised slots revenues will never provide sufficient funds for property tax relief, the proposal may be gaining steam.

6.) LOBBYIST LAW FIRST ON SENATE AGENDA. Senate President Pro Tempore Robert Jubelirer has authored a bill that proposes a new lobbyist disclosure law. The bill reportedly has bipartisan support and is expected to pass the Senate. If enacted, Senate Bill 1 would fill the void left when the Commonwealth's previous lobbyist disclosure law was ruled unconstitutional by the state Supreme Court in 2002. That law had been enacted in 1998. Pennsylvania is currently the only state that does not require lobbyists to register with the state or divulge the money they spend lobbying.

7.) HOUSE DEMOCRATS LOOK TO RAISE THE MINIMUM WAGE. The Pennsylvania House Democrats plan to introduce a bill this session that if enacted would ultimately raise the hourly minimum wage to \$7.15 by January 2007. The minority caucus' plan will likely get resistance from the Republicans and also possibly from Governor Rendell who has said that he would prefer federal action, fearing that an increase done by the state would put Pennsylvania at a competitive disadvantage. Most business owners would also likely oppose the bill. Lee Taddonio, vice president of Pittsburgh's SMC small business council said in the *Pittsburgh Post-Gazette*, "Veon and those people would be better served looking at more important things, [such as] bringing down health care costs." While most would agree that minimum wage is not enough to live on, the argument often comes down to how many minimum wage workers are actually the sole breadwinners for their families. The liberal-oriented *Fiscal Policy Institute* estimates that 4 out of 5 minimum wage earners are adults and more than half are full time workers. *The Heritage Foundation* doesn't deny that most minimum wage workers are adults, but claims that only 1 out of 5 minimum wage workers are the sole earners for their families and the average family income for all minimum wage workers exceeds \$45,000. They also have found that most minimum wage workers get a raise within one year of their start date. The *Economic Polity Institute*, another think-tank, says that the average minimum wage worker brings home 54% of his or her families weekly earnings. Their research finds that 72% of minimum wage earners are adults. Also of note is that they estimate only 7.4 million workers (5.9% of the workforce) are paid minimum wage. Minimum wage was last raised in 1997 from \$4.25 to \$5.15.

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