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Special interests spared from state budget cuts

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The drilling rig for a natural gas well into the Marcellus Shale is seen behind a foundation for equipment that remains on site after the well is tapped in Houston, Pa., in 2008. (File photo)

HARRISBURG - While taking their knives to programs covering everything from the environment to economic development and the arts, Pennsylvania's legislators protected some special interests in the new \$27.8 billion budget.

They declined to tax natural gas drillers, while opening more state forest land to them.

While many environmental voices called for a tax on gas extraction, the politicians sided with the oil and natural gas industry, which contributed \$928,760 to Pennsylvania politicians in 2008-09, according to the National Institute on Money in State Politics.

Legislators also sheltered cigars and smokeless tobacco from the state sales tax, while adding little cigars or cigarettos to the items covered by the cigarette tax, which was raised by 25 cents per pack.

This leaves Pennsylvania still the only state that doesn't tax cigars and smokeless tobacco and the only major drilling state without a severance tax.

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And along with those special interests, legislators took pretty good care of themselves - cutting the House and Senate budgets by 4 percent and 9.5 percent, respectively, and keeping hold of their own multimillion-dollar financial reserves.

Early versions of budget bills proposed transferring half of an estimated \$200 million legislative surplus in fiscal 2007-08 to the General Fund, but the final budget makes no such provision.

Tobacco, gas protected

Gov. Ed Rendell called the spending plan "responsible" for reducing spending and avoiding broad-based tax hikes while protecting education and health care programs and including enough economic development spending to allow the state to compete for new business.

The story of this budget also is told by what's not in it. More than 100 budget line items are eliminated, while another 360 items are reduced - some to their lowest levels in years. For example, there is no money in the budget for Northeast Pennsylvania's five heritage parks, which promote regional identity, or for a grant program to help municipalities upgrade water systems.

The Legislature decided not to levy taxes on cigars and smokeless tobacco and natural gas production, both proposed by Mr. Rendell in February.

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H1N1 virus strikes in many NEPA schools

The H1N1 flu virus has made its way to classrooms across Northeast Pennsylvania. As state health officials predicted, confirmed cases are approaching double digits in some area school districts, while at least 100 students in one district have recently c

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"I think the General Assembly got caught up in the no-tax-increase rhetoric," said Sharon Ward, executive director of the Pennsylvania Budget and Policy Center, which advocated higher taxes to help ease the staggering revenue deficits. "This no-tax bottom line prevented those things (severance and smokeless tobacco taxes) from being implemented."

A smokeless tobacco tax drew late support in the Democratic-controlled House, but Senate Republican leaders said it lacked sufficient votes to pass muster in their chamber. Tobacco industry lobbyists warned that hundreds of jobs would be lost if several cigar processing facilities left the state because of a new tax.

"These jobs would be gone if there is a cigar tax, as the cigar distributors could well move to Florida, in closer proximity to their suppliers and manufacturers," said Rep. Craig Dally, R-138, Nazareth, who has Cigars International facilities in his district.

The gas severance tax likewise drew support in a House floor vote near the end of the budget debate. But GOP lawmakers strongly opposed a severance tax, saying it would kill one of Pennsylvania's few economic bright spots of drilling for deep wells in the Marcellus Shale Formation.

Environmentalists regard a severance tax as the only way to resist more pressure to lease additional acreage in the state forests for drilling and to transfer money from a special oil and gas fund that underwrites conservation projects to the all-purpose General Fund. The new budget authorizes state officials to lease sufficient state forest land to drillers to generate an additional \$60 million in revenue this year.

"We need a severance tax so we can get the state some revenues, wherever there is drilling," said Jan Jarrett, executive director of Penn-Future, a statewide environmental organization. "It would take the pressure off from trying to get revenue by leasing public land."

Special projects

Meanwhile, a number of special projects survived the action on the cutting floor.

The Commonwealth Medical College keeps its coveted status as a budget line item for a second straight year despite 142 other items being eliminated. Senate Minority Leader Robert Mellow, D-22, Peckville, has shepherded development of the new medical school, which is currently conducting its first classes.

Plans to build a minor-league hockey arena in Allentown also get a boost.

The fiscal code bill authorizes special taxes in the Lehigh Valley to pay off bonds for the arena. The bill is narrowly drawn to apply to a "third-class city with a population of at least 106,000 but not more than 170,000" meaning, of course, Allentown.

The budget keeps a tax credit for the cost of films produced in Pennsylvania that has drawn criticism as being a boon for Hollywood and exempts the sale of helicopters and helicopter repairs and maintenance from the state sales tax.

Rep. Tom Houghton, D-13, Chester, defended this exemption as necessary to persuade Sikorski Global Helicopters to relocate all its operations to his district. Pennsylvania is one of the few Northeastern states that taxes aviation sales, he said.

One activist is critical of funding local projects like the medical school in the state budget.

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Local taxpayers should bear the burden of paying for projects that benefit their community, rather than having state tax dollars go for that purpose, said Matthew Brouillette, president of the Commonwealth Foundation, which advocates less state spending.

His organization considers the film tax credit and helicopter sales tax exemption as tax breaks for special interests.

Contact the writer: rswift@timeshamrock.com

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Wait a minute. Was this whole thing a scheme? Did these legislators purposely delay this budget to create an outcry to pass it? Then they could pack it with their private special interest protections, slash the social and environmental programs, and protect themselves while we were out here screaming for a budget? That by the time a budget passed we'd be so relieved that we'd just be happy to have ANY budget? This was a scheme. It should be fully investigated.

Taxpayer, 18 October 2009 kl. 11:32

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keep tellin yourself that the good book will put you in first... such irony coming from a person calling themselves "reality"

SW, 18 October 2009 kl. 09:41

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Okay, so these legislators sell us out. What's their penalty? Being voted out of office? Wow. Big deal. When are we going to stop swallowing this and demand something more to prevent this? So these legislators lose their jobs in Harrisburg and go to work for the gas drillers. Or the tobacco industry. Big deal. They end up safe, secure and rich by protecting these special interest groups and our children die from polluted water. This is criminal. Absolutely criminal.

A reader, 18 October 2009 kl. 08:47

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Now, do you really think these stuffed shirt, arrogant mouth breathers would really pass any law or budget that would hurt their way of living?? Kick backs from the gas and oil companies; taxing their "fine cigars"....please....let the "peons" pay for THEIR extravagant way of life. Just remember "Mr. & Mrs. Stuffed Shirts"....life is short and we're only promised 75 years by the "Good Book".....then it's "the first shall be last and the last shall be first"...enjoy!

Reality....., 18 October 2009 kl. 07:36

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