

From the Capitol...

For most of the late spring and early summer, the most pressing issue in Harrisburg was passage of an “on-time” state spending plan for Fiscal Year 2010-11. While not without some last minute twists and turns, the Pennsylvania General Assembly presented HB 2279 (the Commonwealth’s 2010-11 General Fund budget) to the Governor on June 30th. As you have undoubtedly read already, it was the first “on-time” budget for Governor Rendell, and also his last.

Assuming receipt of \$850 million in federal FMAP funds – an assumption questioned by some in the State Capitol – HB 2279 keeps state spending almost level when compared to the previous fiscal year. In addition, the budget bill signed by the Governor does not call for any new or increased taxes – especially those that would have been most harmful to companies in the Pennsylvania construction industry. At one point in the process, the discussion had focused on adding state’s sales tax to new items, including professional services (i.e. architectural and legal fees), to help increase state revenues. GCAP and the rest of the Commonwealth’s business community worked hard to educate lawmakers on the tremendously harmful impact such a decision would have.

Also of importance to Pennsylvania construction was the agreement to invest \$600 million in capital construction and renovation projects through the Redevelopment Assistance Capital Projects program (RACP). As a result of legislation passed in conjunction with budget, funding will be made available for dozens of shovel-ready projects across the Commonwealth as well as future construction initiatives of all sizes and duration.

Although the state budget was the top priority for the General Assembly and Administration during the last several weeks, there was legislative action – or in some cases inaction – on issues important to GCAP.

Progress continues on SB 601 – legislation authored by Sen. Pat Browne (R-Lehigh) to protect contractors from being taxed twice for the same work via a business privilege tax. GCAP continues to work on the bill which would prevent double taxation on companies when they have their permanent base of operations in one municipality and a temporary job site trailer in another.

GCAP is also monitoring work by the Senate Labor and Industry on HB 400. This legislation is intended to help the Commonwealth identify those bad actors who intentionally misclassify workers as independent contractors to avoid paying taxes, insurance costs and payroll deductions or to hire illegal aliens.

Finally, the legislature did not act to extend the Education Empowerment Act which included the Mandate Waivers Program. Under the Mandate Waivers initiative, school districts were able to seek relief from Pennsylvania’s archaic Separations Act. Even though the program expired on June 30<sup>th</sup>, GCAP will

keep working with its education and industry partners to find a way to give school districts the option of utilizing single prime when doing so makes the most sense for them. In the meantime, GCAP will continue to dispel the myth that bidding projects both ways ensures the best price in school construction.