



State Representative

RICK MIRABITO

83RD LEGISLATIVE DISTRICT

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REP. RICK MIRABITO *Summer 2011 Report*

Mirabito testifies before House Appropriations Committee



Every year, all 203 members of the state House are invited to present testimony before the Appropriations Committee on the budget. On Thursday, March 31, I was one of only 18 members who took advantage of the opportunity and I was proud to present the concerns of the 83rd Legislative District as it relates to the 2011-12 state budget.

With the start of a new session and the unveiling of Gov. Corbett's budget proposal for 2011-12, it has been a busy spring. I have heard from so many of you about the issues you believe should be the priorities for the General Assembly. I hope you continue to stay in touch.

Richard Mirabito

Good afternoon Chairman Adolph, Minority Chairman Markosek and members of the House Appropriations Committee. Thank you for this opportunity to bring the needs of my constituents – residents of the 83rd Legislative District – to your attention.

One-half of the population of the 83rd District lives in Williamsport, a third-class city located in north central Pennsylvania, and the rest live in eight other townships and boroughs surrounding Williamsport.

State Spending and Proposed Budget Cuts

Throughout the district, there has been discussion about reducing state spending and about saving money. Constituents have stated that they are willing to make sacrifices to reduce spending. And they recognize that life does not treat us all the same.

They also believe, however, that when government acts, it must do so in a way that treats all of us in a fair and equal manner. Life may not be fair, but government must be.

Constituents believe that this budget must be balanced fairly and in a way that treats all citizens on an equal basis.

I am here to report to you today that many constituents in my district have expressed anger about what they perceive to be the inequitable treatment that certain classes of people in the state are receiving from this budget. In the view of these constituents, the proposed budget is not being balanced fairly. It is not being balanced in a way that treats all citizens on an equal basis.

For example, when we look at the population of individuals who lost coverage when adultBasic was eliminated, we see that 66 percent of them were women. When the women suffer, the children suffer, too.

One reason the proposed budget cuts are perceived as unfair and not being applied equally is because the cuts will affect communities across the Commonwealth in different ways depending on wealth and demographics.

The 83rd District, located in a rural county, is a poorer district relative to the rest of Pennsylvania. Like much of rural Pennsylvania, we have fewer people who have higher education. While 22.4 percent of Pennsylvanians have a bachelor's degree or higher, in Williamsport that number is only 16.3 percent.

For this and other reasons, our wages and salaries tend to be lower. In the City of Williamsport, the median household income is only \$28,292.

The median household income for Lycoming County is approximately \$41,850.

In comparison, the median household income in Pennsylvania is \$49,737. But the income spreads are very large with a low of \$34,018 in Fayette County and a high of \$83,759 in Chester County.

There is no doubt these budget cuts will have a more profound effect in certain parts of the state. The cuts are not simply numbers. There are faces and lives and people behind these numbers. And many will suffer. And without being too dramatic, it is fair to say that some people will die as a result of these cuts.

The proposed budget is picking winners and losers. And for many, the losers are people from rural communities and from poorer sections of the state – including places like the 83rd District and Lycoming County.

When budget cuts undermine the ability of an individual to make choices about where he or she lives or works, or even determines whether that person has the freedom to live independently, then

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REP. RICK MIRABITO IS WORKING FOR YOU!

Testimony

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those cuts diminish the civil rights of that person.

One area of great concern to the constituents in the 83rd District involves the cuts to education.

Education and Shifting the Burden to Property Tax Owners

In the 83rd District, the Williamsport Area School District will suffer a cut of 13.49 percent in funding. The 2010-2011 student poverty concentration* in that district is 62.5 percent – a very high rate. In fact, it is in the top one-third statewide.

The education cuts in the South Williamsport Area School District are 13.02 percent. The student poverty concentration is 35.03 percent.

And the Loyalsock Township School District will suffer cuts of about 12.99 percent and the student poverty concentration is 26.96 percent.

When we analyze the data, it appears that the school districts with the greatest concentration in poverty may be receiving very substantial, or, in some cases, the highest cuts in their education budgets.

The proposed cuts do not just cut the state's basic education subsidy. School districts will be forced to pay for kindergarten and cyber and charter schools without any state assistance. These state cuts to education funding will put pressure on local communities to raise

property taxes. That approach is unfair to the poorer, rural areas of the state such as the 83rd District and Lycoming County because they do not have the economic base to sustain additional increases.

It also is unfair because we have a higher proportion of seniors living on fixed incomes. This policy approach of pushing costs down to the local level pits the elderly against young families who have children of their own in school.

**Poverty Concentration-Relative wealth of a school district measured as the percentage of students eligible for free/reduced lunch (higher poverty level).*

Placing the Tax Burden on Certain Businesses and Working Families

Another reason the budget is perceived as unfair is because of the inequity in the way the budget raises revenue. Although we claim that this budget does not raise taxes, we have chosen to impose taxes on certain businesses and working families while allowing others not to contribute their fair share. I speak specifically of the failure to impose a severance or impact fee on the production of natural gas.

By not requiring these out-of-state companies to pay their fair share, this budget burdens all of Pennsylvania's taxpayers with the cost of drilling. This approach is wrong for two reasons. First, it is wrong because it tears at the social contract; and second, it is wrong from an economic perspective. The failure to impose such a fee keeps

the production costs from being paid by the end user. Instead, Pennsylvania taxpayers are paying for the cost of production.

I do not exaggerate when I say that constituents have expressed outrage at the inequity of not imposing a severance or impact fee on the natural gas industry while asking working families and Pennsylvania businesses to accept major cuts that will affect their quality of life. Moreover, these constituents feel that they are being burdened with paying for the impact of the gas drilling and for living with the problems that come with the growth of this industry. The impact is evident in terms of the environment, the infrastructure, and social relations.

When 38 states are assessing that fee – and when the industry has built a business model that includes payment of the fee – to not collect it is unfair and irrational to our Pennsylvania businesses and working families who pay taxes.

In addition, we do not allow counties or school districts to assess natural gas reserves for the purpose of property taxes. So our residents are hurt in that way.

In conclusion, it is clear to me that the constituents of the 83rd District are not asking for a hand out. They are asking for fair and equitable treatment by government in the budget process.

I believe that we have the capacity and the obligation to provide that to them.

Thank you for your consideration of these issues.

Homeowners to see 2011 property tax relief from gaming revenues

The Property Tax Relief Fund was established in 2006 as a way to use gaming revenue to reduce property taxes for homeowners. Counties report the number of homeowners who have signed up for their share of property tax relief. School districts receive their share of property tax relief in two equal installments in August and October.

Homeowners will receive reductions in the school property tax bills they receive this summer. By law, homeowners should see the property tax reduction itemized on their tax bills.

In the 83rd Legislative District, homeowners should see the following estimated tax relief.

School District	Property Tax Reduction Allocation	Number of Approved Homesteads & Farmsteads	Estimated Tax Relief per Homestead & Farmstead
Loyalsock Township	\$393,621	3,047	\$129
South Williamsport Area	\$560,476	2,527	\$222
Williamsport Area	\$2,437,681	8,058	\$303

If you have not signed up for your share of property tax relief, don't miss out in 2012. District residents who live in owner-occupied properties can apply for property tax relief. You may only claim one homestead exclusion. Relief is not applicable for rental properties or

business properties unless it is your primary residence also. To receive a homestead or farmstead exclusion on your property, file an application form with the Lycoming County Assessor's Office. You may apply between December 15th and March 1st.

The County Assessor's Office is located at 48 West Third Street, Williamsport, PA 17701, 570-327-3201.

Important Note: The property tax relief could easily be offset by increases forced through reductions in state funding to local school districts.

Proposed cuts in 2011-12 budget will have an impact on Lycoming County

Public education faces a \$1 billion cut statewide

The governor's budget slashes \$1.1 billion in critical state funding from our public schools in Grades K through 12 – a nearly unprecedented cut in funding to public schools, which will have catastrophic consequences. More than \$5.2 million in cuts are faced by the school districts in the 83rd Legislative District.

Under H.B. 1485, public school funding would be cut by \$891 million, a \$4.7 million cut to school districts in the 83rd Legislative District. While this proposal slightly increases funding over the governor's proposal, it does so by cutting back on programs that serve the elderly, the disabled and children.

There are consequences to whatever decisions we make. In 1971 the number of people in Pennsylvania's prisons was 5,284 and the Corrections budget was \$33 million. Today, there are 51,391 men and women in state prisons and the Department of Corrections budget is \$1.87 billion.

We know that illiteracy correlates with a large prison population, yet, we reduce library funding while the budget proposals increase funding for prisons. Funding for tutoring programs could disappear under the current budget proposals.

A recent PA Partnerships for Children study found that school districts who utilized Accountability Block Grants to provide full-day kindergarten improved their reading proficiency scores over the previous year by 50 percent more than those with part-day kindergarten programs. H.B. 1485 reduces Accountability Block Grant funding by 61.5 percent.

Cornell University researchers found that increased direct spending for early childhood education services generated more total sales and employment than increases in any other major sector in the state. For every additional \$1 spent through Child Care Works and Keystone STARS, an average \$2.06 is circulated in Pennsylvania's economy. H.B. 1485 cuts Child Care Services and Child Care Assistance by \$38 million while increasing family co-pays by \$5.

College and universities facing drastic cuts in 2011-12 budget

The proposed budgets target higher education. The governor's plan would cut \$625 million – about 54 percent for the state-owned universities and 50 percent for the state-related universities, Penn State, Pitt, Lincoln and Temple. This could result in higher tuition rates and the closing of some academic programs.

Penn College of Technology will see a 10 percent cut in funding under both proposals. Lycoming College would lose 25 percent in Institutional Assistance Grant funds.

Combined, the state-owned universities generate nearly \$4.5 billion in total economic impact to the Commonwealth and support more than 51,000 jobs, directly and indirectly.

The governor also proposes cuts to PHEAA's grant programs for Pennsylvania students – making college that much harder to afford for middle-income students and their families.

Additional local impacts – job losses and fewer services

In the budget proposals before the House, the STEP Lycoming – Clinton Parent Child Home program would face the loss of nine jobs and direct services to 82 local families.

Susquehanna Health would lose \$1.5 million in funding for its treatment of Medical Assistance patients, a potential loss of 30 jobs.

In Lycoming County, 18 percent of the population receives Medical Assistance – 44 percent are under 18, 10 percent are over 65, and 25 percent are disabled. In addition, 50 percent of all births in Lycoming County are covered by Medical Assistance.

School District Reductions in Proposed 2011-12 Budget

School District	Governor's Proposal			*Poverty Concentration	House Bill 1485		
	Funding Loss	Percent Decrease	Cuts Per Student		Funding Loss	Percent Decrease	Cuts per Student
Loyalsock Township SD	-\$402,927	-13.0%	-\$279	26.96%	-\$364,240	-11.8%	-\$252
South Williamsport Area SD	-\$843,544	-13.0%	-\$612	35.03%	-\$728,475	-11.2%	-\$528
Williamsport Area SD	-\$3,983,498	-14.5%	-\$725	62.50%	-\$3,584,081	-13.0%	-\$623

* Poverty Concentration is the relative wealth of a school district measured as the percentage of students eligible for free/reduced lunch (higher percentage equates to higher poverty level).

Public favors tax equity

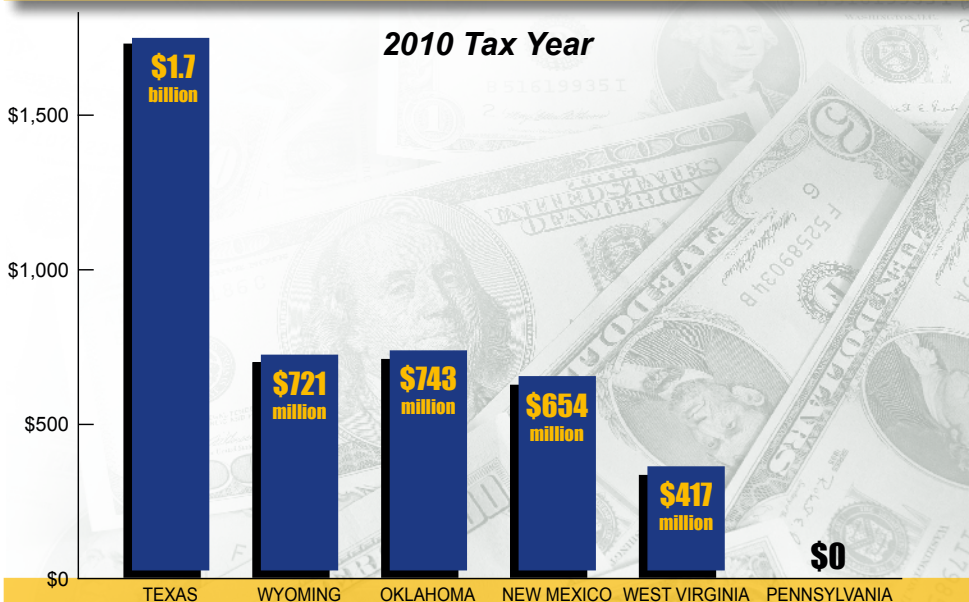
The Commonwealth could employ several revenue-generating measures that would restore much of the \$1.6 billion in cuts to education and prevent local property tax increases.

A recent poll showed that 70 percent of Pennsylvanians support a **Marcellus Shale severance tax** on natural gas drilling. Every state with a natural gas drilling industry, including Texas and Alaska, collects a severance tax on its extraction except for Pennsylvania, which is home to the largest natural gas formation in the country. At Gov. Corbett's insistence, major drilling companies are receiving this tax break valued at **\$200 million** this year while compromising the Commonwealth's environment, drinking water and infrastructure. By 2015-16, this tax could be worth **\$420 million** in revenue each year. We also can ensure that a substantial portion comes back to our local communities.

Closing the **Delaware Loophole** would generate an estimated **\$500 million** while leveling the playing field for Pennsylvania-based companies who currently are at a competitive disadvantage to the larger, multi-state corporations. According to the Pennsylvania Department of Revenue, over 70 percent of multi-state corporations doing business in Pennsylvania paid nothing in Corporate Net Income taxes in 2007, while an additional 10 percent paid \$1,000 or less (about as much income tax as a family earning \$33,000).

A critical piece of missing revenue is the collection of the Sales and Use Tax on **Internet sales**. The House Finance Committee recently held a hearing on the issue and found that Pennsylvania is losing out on up to **\$300 million** annually in uncollected sales taxes from online-only companies. Again, larger out-of-state companies are gaining an advantage while local brick and mortar businesses are taking a beating, not because they are less fit to compete but because they are put at an automatic disadvantage.

Natural Gas Severance Taxes Paid to the 4 Leading Natural Gas Producing States, West Virginia & Pennsylvania



SOURCE: U.S. CENSUS BUREAU

Goal: To lower the Corporate Net Income tax and close \$500 million business tax loophole and lower Pennsylvania business taxes



Rep. Mirabito joins Rep. Phyllis Mundy (D-Luzerne) and other legislators April 27 in support of H.B. 1396, which would close the so-called Delaware Loophole and reduce the Corporate Net Income tax rate.

On April 27, Rep. Mirabito participated in a Harrisburg news conference about H.B. 1396 that would close the "Delaware loophole" and create a fair business environment for Pennsylvania-based companies. Mirabito, a co-sponsor of the legislation, said the proposal would lower over three years the Corporate Net Income tax rate from 9.9 percent to 7.4 percent for Pennsylvania-based companies.

The loophole costs the state **\$500 million** in annual revenue because it allows major companies to avoid paying Corporate Net Income taxes by setting up parent companies in Delaware. The parent company controls the trademarks, patents or other investments, and charges the Pennsylvania subsidiary or branch a royalty for using the trademarked name or patent. That allows the corporation in Pennsylvania to treat the payment as a business expense, which it then deducts from its income to reduce its tax burden here. Meanwhile, Pennsylvania's smaller companies are paying their full share of taxes.

The bill would close the loophole by adopting combined reporting, which would require corporations and their subsidiaries to jointly file one tax report and pay taxes according to the amount of business activity conducted in Pennsylvania. Twenty-three other states have enacted legislation to close the loophole.

Mirabito announces \$7.5 million in grants for Lycoming County water projects

Rep. Mirabito recently announced the Commonwealth Financing Authority has awarded \$7.5 million in three grants for water projects in Lycoming County.

The projects receiving approval were:

- Loyalsock Township Supervisors, \$3.14 million grant for a sewer rehabilitation project.
- Williamsport Sanitary Authority for two projects:
 - A \$4 million grant for a regional wet weather improvement project.
 - A \$346,666 grant for the regional Chesapeake Bay NPDES compliance.

“The quality of life in our communities depends so much on the condition of their infrastructure,” Mirabito said. “By providing funding at the state level, we can help local communities provide necessary services at reasonable rates and protect our environment.”

The Loyalsock project includes an upgrade to the existing collection system to reduce system backups and overflows.

The Williamsport Sanitary Authority’s projects include upgrades to the plant to address the nutrient removal and combined sewer overflow regulations and work associated with reducing effluent nitrogen

loads to the Chesapeake Bay.

The grants are awarded through the CFA’s H2O PA Program. H2O PA provides single-year or multi-year grants to independent agencies, municipalities or municipal authorities for the construction of drinking water, sanitary sewer and storm sewer projects or to help repair, rehabilitate or remove high-hazard unsafe dams.

The programs are aimed at using targeted state investment to attract private capital for economic development in all regions of the state and for all types of industries.



Teacher Ryan Cooper, left, and South Williamsport High School AP students Celina Foran, Megan Cowber, Alyssa Mabonski and Dan Warner join Rep. Mirabito in the House Chamber April 11. The students served as guest pages for the day.



Constituent Terry Walker recently drops into Rep. Mirabito’s constituent service office.



A field trip to the Capitol for the St. John Neumann Catholic School in May.



Attendees at the Lycoming County Conservation District breakfast April 28. From left: U.S. Rep. Tom Marino; State Sen. Gene Yaw; Chairman of the LCCD Board of Directors Carl W. Schlappi; State Rep. Rick Mirabito; District Manager of the Lycoming County Conservation District Mark Davidson; and State Rep. Garth Everett.



Students, parents and teachers from the Round Hills Elementary School, Williamsport, visit the Capitol in May.

Town Hall meetings

– listening to what you have to say

So far this year’s town hall meetings have been interesting and educational. You have not been shy about what you want to see happen in Harrisburg, and I am proud to carry your concerns to the General Assembly.

The next town hall meetings are set for:

Thursday, July 14, 6:30 p.m. to 8:30 p.m.

Hepburn Township Fire Hall
615 State Route 973 East
Cogan Station

Thursday, August 11, 6:30 p.m. to 8:30 p.m.

Williamsport City Hall
245 West Fourth Street, Sechler Room
Williamsport

Property Tax/Rent Rebate application deadline is Dec. 31

Rep. Mirabito’s staff is ready to help senior citizens and other residents who qualify for the state’s Property Tax/Rent Rebate Program.

It provides rebates on property taxes or rent paid in 2010 to residents who are 65 or older; 50 or older who are widowed; and 18 or older with a disability.

The annual income limit is \$35,000 for homeowners and \$15,000 for renters. Half of Social Security, Supplemental Security, or federal Railroad Retirement Tier I income is excluded from the income total.

The maximum standard rebate is \$650 but supplemental rebates for qualifying homeowners can boost rebates to \$975. The deadline to apply for the rebate is Dec. 31.

If you need an application or help filling it out, please contact Rep. Mirabito’s constituent service office.

Survey – *What do you think?*

Please go to my website www.pahouse.com/Mirabito and participate in my survey. Or drop me a letter or an e-mail (rmirabito@pahouse.net) and let me know what you think about the questions below.

1. Do you believe Pennsylvania should join other states which place a tax on the extraction of natural gas or other resources?

Yes No Comments

2. Do you believe a portion of any tax imposed should be allocated to local governments to cover the costs to services and infrastructure such as public safety, water and sewer or road and bridge upkeep?

Yes No Comments



The House Committee on Agriculture and Rural Affairs hold a hearing on the dairy industry. Reps. Deberah Kula (D-Fayette) and Scott Conklin (D-Centre) with Rep. Mirabito.