

The Commonwealth Foundation unveils its 'Shapiro's Promises' campaign to highlight key policy issues it hopes the new Democratic governor will cross the aisle to support.

POLICY PILLARS ERECTED FOR STATE'S 'GREAT COMPROMISE' BUDGET



**By Christen Smith,
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The possible parameters for a state budget compromise emerged last month in a window across the street from the Pennsylvania Capitol in Harrisburg.

The Commonwealth Foundation, a free-market think tank headquartered just steps from the building's grand rotunda, unveiled signage for its "Shapiro's Promises" campaign – in reference to Josh Shapiro's overtures for bipartisan cooperation during his first term as governor.

By all appearances, negotiating his first spending plan – with a Republican-majority Senate and Democratic-majority House – serves as a *de facto* litmus test for the strength of that promise. The possibilities leave the foundation, whose policy positions typically align with legislative Republicans, feeling optimistic.

"We don't agree with Governor Shapiro on every issue, but we stand united around these important priorities," said Erik Telford, the foundation's senior vice president. "And we're ready to work arm-in-arm to help him follow through on his promises that will ensure a better Pennsylvania."

The foundation's messaging highlights a handful of key issues – all of which Shapiro discussed on the campaign trail last year – where compromise could be found, including expanding school

choice; licensure and permitting reform; accelerating business tax cuts; ways to reduce energy costs; and making telehealth more accessible.

To his credit, the foundation said, the governor signed an executive order during his third week in office that approved refunds for residents when the state misses deadlines to issue permits, certifications and licenses. The policy impacts scores of professionals – from nurses to educators to cosmetologists to restaurant owners – who must receive state approval to work in their respective fields.

While it's a start, the foundation argues more work must be done to fix the structural deficiencies that bog down the process in the first place. Telford, in a news release, pointed to recent polling that shows 86 percent of respondents support these reforms too.

Telemedicine access also ranks high among shared priorities. Some 83 percent of poll respondents agreed on continued flexibility for providers to treat patients virtually – offering a lifeline to underserved rural communities and reducing opioid overdoses, The Center Square previously reported. Lawmakers on both sides of the aisle, and Shapiro himself, agree that pandemic-era waivers for telehealth should be permanent.

Accelerating the corporate net income tax rate reduction – structured as a decade-long descent from 9.99 percent to 4.99 percent – also seems ripe for compromise.

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POLICY PILLARS – 'GREAT COMPROMISE' BUDGET

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Republican leaders in the Senate, where the tax cut originated last year, say speeding up the process will encourage economic growth as the state barrels toward a demographic crisis.

Shapiro's first spending plan, unveiled in March, would slash the corporate net income tax to four percent by 2025. On the campaign trail, he said he prioritized policies that fueled manufacturing and technological innovation, attracted more business investment, and encouraged college graduates to settle in the state.

Lawmakers agree that stemming population loss, especially among working-age residents, is the state's biggest challenge – one that must be conquered to prevent future economic ruin.

But school choice, a top priority for legislative Republicans, may not fit so easily into a negotiated spending plan. For Shapiro, enough money exists to both fund public schools and support alternative choices for families who want them – a position that's a tough sell for his Democratic colleagues.

House Democrats, in charge of the legislative calendar for the first time in more than a decade, want a budget that

invests billions into public schools, boosts tax and salary incentives for teachers, and reconfigures state financial support and regulatory oversight of charter schools.

Senate Republicans litter the spectrum of support for school choice. In total, the caucus wants to boost funding for the state's dual tax credit programs that reimburse businesses for donating money to cover tuition for low-income students attending private schools.

Supporters argue that families shouldn't be bound to underperforming school districts based on ZIP code alone, but critics believe the money funnels out of the state with practically zero oversight of how it's spent.

Foundation polling found that 77 percent of respondents want to expand the tax credit programs, too.

A newer GOP-backed idea, however, seems less likely to win Shapiro over: lifeline scholarships. Last year, the House approved legislation to create spending-restricted accounts for families living in the bottom 15 percent of districts. The scholarships offer roughly \$6,700 per student to cover tuition,



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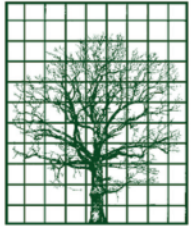
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The state spends just under \$20,000 per student overall, though the exact amount varies based on each district's share of local support, administrative costs, and special education needs.

Shapiro, however, included no mention of the program in his budget proposal. And legislative Democrats have long believed the state should focus on bolstering its support to public schools first, rather than relying on local tax dollars to fill in the gaps.

Some 67 percent of poll respondents expressed support for lifeline scholarships, the foundation said.

Rising energy costs likewise fail to engender bipartisan solutions. While the courts deliberate over the state's entry into the Regional Greenhouse Gas Initiative – a regulatory program that charges power producers for the carbon pollution they emit – Republicans' years-long crusade to derail the entire effort has hit a wall.

Critics argue RGGI does nothing to lower emissions since air pollution doesn't stay within state borders – so non-participating neighbors, like Ohio and West Virginia, will still emit carbon into the atmosphere, as will the rest of the world. And, worst of all they said, RGGI will raise energy costs for residents as utility companies increase rates to try to recoup money lost through the "carbon tax."

Republicans also lean on 2022 analysis from the Independent Fiscal Office that found the annual cost of RGGI had nearly quadrupled from initial estimates given in 2019. Shapiro's budget anticipates receiving more than \$600 million from the program in the coming year, too.

This, even though the governor had both publicly and privately expressed

doubts about RGGI's environmental impact, as The Center Square previously reported.

Just over half of poll respondents want to see concerns about RGGI's impact on energy costs "resolved," according to the foundation.

Although Shapiro and Republican leaders appear aligned on several of these key issues, Democrats' long-ignored policy wish list will still present challenges.

Shapiro's \$44.4 billion budget strategy centers around investing as much state money as possible into policies that will grow the workforce and boost tax revenues to cover future spending.

Like legislative Democrats, he wants to raise the minimum wage to \$15, expand access to affordable childcare, create tax incentives for in-demand professions, boost benefits for public retirees, widen the social safety net, and boost public education support.

Key Republican leaders have expressed doubts about the viability of the governor's plan, which includes depleting the state's \$5.6 billion savings account over the next five years.

These differences widen the gap any budget compromise must overcome. Still, Telford said, he believes it can be done.

"We stand ready to work with Governor Shapiro to enact these critical solutions," Telford said. "The governor and lawmakers have an opportunity to unite across party lines, set a new tone in Harrisburg, and improve the lives of all Pennsylvanians."

Christen Smith, Regional Editor, joins The Center Square as its Pennsylvania News Editor and brings with her more than a decade of experience covering state and national policy issues from all angles. She's a Pennsylvania State University alumna and has been published in the The Washington Examiner, the Pittsburgh Post-Gazette, RealClear and Broad+Liberty, among others.

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