

THE GOVERNOR

Notice of Veto

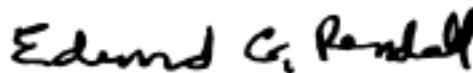
November 9, 2006

*To the Honorable, the Senate
of the Commonwealth of Pennsylvania:*

I am returning Senate Bill 157 without my approval. I regret doing so since this bill provides for the installment payments of the Local Services Tax. This tax which is capped at \$52 is collected by employers. Under this bill, employers would be required to apportion the deduction of the \$52 over the full period of employment, thereby decreasing the one time impact of the deduction on the taxpayer. I strongly support the installment requirement provided for in this bill. I also believe that the standard requirement that those earning under \$12,000 per year be exempted from this tax is good public policy and effectively mirrors the state's progressive Tax Back program for the payment of Personal Income Tax.

Notwithstanding the improvements provided for in this bill, the timeline for implementation of these changes is simply not reasonable. The bill, sent to me on October 30, requires that every municipality that currently collects the Emergency Municipal Services Tax at a rate higher than \$10 advertise its intention to pass an ordinance to comply with this legislation no later than November 24th, and pass the ordinance by December 31st. The bill also requires municipalities that intend to begin collecting this tax in 2007 for the first time to advertise their intention to pass an ordinance by November 17th, and to pass the ordinance by December 1st. Likewise, businesses across the state will have very little time to adjust their payroll systems to ensure the appropriate collection of this tax.

I am also deeply concerned that due to the short window permitted for the passage of these local ordinances municipalities across the state will lose revenues already planned for in their annual budgets, which have already been adopted. My concerns are echoed by the Pennsylvania League of Cities and Municipalities, the Pennsylvania Association of Township Supervisors, and the Pennsylvania Association of Boroughs in their letter urging a veto. In addition to their letter and the seven others I received from localities and associations urging a veto, I received a letter from the City of Altoona which provided clear evidence of the problems this bill will create for municipal budgets in the current fiscal year. As a result, I am returning this legislation without my signature. I urge the legislature to pass legislation that permits the important taxpayer benefits provided for in SB 157 in a bill that also ensures reasonable time periods for implementation of these changes.



Governor

[Pa.B. Doc. No. 06-2295. Filed for public inspection November 22, 2006, 9:00 a.m.]

Notice of Veto

November 9, 2006

*To the Honorable House of Representatives
of the Commonwealth of Pennsylvania:*

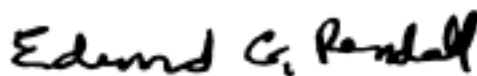
I am returning House Bill 2202 without my approval. Pennsylvania already pays for home infusion therapy for over 52,000 Commonwealth residents. For the bulk of those receiving Medicaid-based services, the Commonwealth covers the cost of the drugs and the cost of the nurse to come to the home to assist the patient and monitor the therapy. With respect to those Medicaid recipients who are covered in the fee-for-service system, this bill would require the Commonwealth to absorb the cost of a new service offered by pharmacies regardless of whether the pharmacy service is medically appropriate or necessary. There is also the potential that as drafted this bill will result in cost shifting from the Federal government to the Commonwealth for the home infusion services provided to those individuals known as "dual eligibles."

The Department of Public Welfare manages regulatory and administrative processes that establish Medicaid payment protocols. This legislation is an attempt to go around those established systems and add a new unfunded mandated payment to the budget and thus a new unfunded obligation for the taxpayers of the Commonwealth. Throughout the drafting of this bill the Department of Public Welfare urged the parties to engage in the Commonwealth's routine administrative processes to determine the appropriate payment protocols for these medical services. I am disappointed that this offer was refused and as a result there may be instances where the pharmacy services may be warranted but payment for those services will still not be appropriately defined and paid.

Finally this bill includes a troubling drafting error that, were it to become law, would have the unfortunate consequence of making it illegal for the Department of Public Welfare to pay for home infusion therapy for some of the sickest residents who are under 65 years old and destitute. Under current eligibility rules, not all Medical Assistance recipients are eligible for prescription drug coverage. However, the language in Section 443.9 of the bill could be interpreted to prohibit the payment for home nursing services required for home infusion therapy since the Commonwealth is not also the payer for the prescribed medicine.

I have proven over the past four years that the Commonwealth can be fiscally responsible, maintain a balanced budget and still make steady progress toward meeting the needs of our most vulnerable Pennsylvanians. This bill will result in a \$7 million increase in costs to the Department of Public Welfare without the identification of a compensating cut or provision of additional revenue to pay for this increase in expenditures. I have in the past, and will continue, in the future to provide additional funding for critically needed health care. But I have consistently enforced a "pay as you go policy" when it comes to the state budget—expenditure increases must not be legislated on an ad-hoc basis during the fiscal year. I will not sign legislation that either significantly increases spending or reduces revenue without a specific plan to pay for it.

For these reason I must withhold my signature from House Bill 2202.



Governor

[Pa.B. Doc. No. 06-2296. Filed for public inspection November 22, 2006, 9:00 a.m.]

Notice of Veto

November 9, 2006

*To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:*

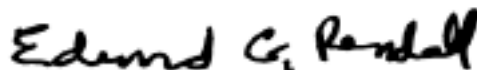
I am returning House Bill 2282 without my approval. I regret doing so since this bill offers a tax benefit to National Guard members enabling them to exempt from their income active duty pay earned during the period of deployment for national or international emergencies. This element of the bill was part of my original Support Our Troops package that I proposed on Memorial Day in 2005. Unfortunately, the bill that provided this benefit for our National Guard members was hijacked as a vehicle to resolve litigation pending between internet hotel booking services and the City of Philadelphia.

In addition to using a bill intended to benefit the National Guard to respond to the request of internet hotel reservation services seeking to cap what they must pay for local hotel taxes, this bill also includes substantive drafting errors which would require, if House Bill 2282 were enacted, new corrective legislation or costly litigation to resolve. The Chief Counsel for the Pennsylvania Department of Revenue confirms that as written the bill may be understood to cap the hotel occupancy tax rate and/or it may mean to narrow the base of the locally defined hotel room rental tax rate—it's impossible to know what the intent or impact of the bill will really be. Beyond my substantive opposition to measures that would roll-back the hotel tax in the two major tourism centers of our state, the lack of precision of the language alone gives me cause to veto this bill

Finally I veto this bill, and would do so if subsequent legislation came to me again, because it will result in a substantial loss of revenue to localities. In Philadelphia, over the next five years the City could have to forego anywhere from \$55 million to more than \$200 million depending on how the bill is interpreted. Likewise, Allegheny County could lose at least \$28 million in local revenues in the same time period. In both counties the proceeds of these taxes are pledged to pay the debt on their convention center bonds. As such, rolling back and capping this tax will require each municipality to tap other revenues that are pledged to local services, their school districts and other capital expenditures to pay the shortfall in hotel taxes caused by this bill.

I recognize that the introduction of internet hotel reservation services raised new questions for our state and local tax codes. I strongly believe that we must ensure that local and state government as well as Pennsylvania businesses are not adversely affected by internet based companies who seek legislation to avoid duly imposed taxes.

For the reasons stated above I am returning HB 2282 without my signature. I urge the legislature to pass legislation that offers our active duty National Guard members the tax benefits intended for them when this bill was first introduced on December 5th, 2005. If that legislation comes to me without other objectionable and unrelated provisions I will sign it immediately.



Governor

[Pa.B. Doc. No. 06-2297. Filed for public inspection November 22, 2006, 9:00 a.m.]