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minor edits and one question.

PENNSYLVANIA BRIEFING

STATE ISSUES

EMPLOYMENT FIGURES

Pennsylvania's unemployment rate in August was 5.6 percent, 0.3 percentage point below its peak of 5.9 percent in February 2003.¹ As of September 2004, the national unemployment rate was 5.4 percent. Overall, jobs have been returning to Pennsylvania since February 2004; it has seen an increase of 66,800 jobs since then.

FEDERAL EMERGENCY DECLARATIONS

You recently issued Federal disaster declarations covering 46 of Pennsylvania's 67 counties, in response to storms that have hit the state.

COMMONWEALTH BUDGET AND REVENUE

In July, Governor Ed Rendell (D) signed into law a \$23 billion budget for FY 2005. In contrast to the previous year's budget, this budget contains no new tax increases and will maintain services for Pennsylvanians by increasing budgets for key programs. These programs include medical assistance, child care, and community mental health. The budget was passed unanimously by the Pennsylvania Senate and 193 to 8 by the House.

Overall spending will increase by 4.3 percent. A major component of the budget is a measure approving as many as 61,000 slot machines at seven racetracks, two resorts, and five stand-alone sites. Pennsylvania will be second only to Nevada with its number of slot machines. The expected \$1 billion in revenue from the slot machines will finance property-tax reductions for homeowners across the Commonwealth.

Rendell Administration officials say revenue projections are higher this year than anticipated. The Commonwealth is rebounding from the revenue shortfalls of the last two budget cycles. Pennsylvania Budget Secretary Michael Masch (D) has estimated the Commonwealth will end with a \$500 million budget surplus this fiscal year.

EDUCATION BUDGET

Pennsylvania's education system should benefit from the new budget, which raises community college spending by 5.8 percent, state-owned college spending by 4.3 percent, and state-related college spending by 3 percent. Overall, basic education subsidies for the Commonwealth's 501 school districts will increase by 3.6 percent, with each district guaranteed a funding boost of at least 2 percent. In an effort to

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eliminate school property taxes, the state legislature is exploring the possibility of creating a new 4.5 percent state business receipts education tax.

Pennsylvania does better than most states in college completion rates, receiving an “A” in this category on the 2002 report card. However, along with 35 other states, Pennsylvania received an “F” in keeping campuses affordable (from the National Center for Public Policy and Higher Education in its report released on September 15, 2004).

Governor Rendell has urged leaders of Pennsylvania’s 14 state universities to forgo a 6.9 percent tuition increase, citing the 4.3 percent increase in their total funding through the new budget.

US AIRWAYS BANKRUPTCY

On September 12, Virginia-based US Airways filed for bankruptcy for the second time in two years after it was unable to secure another round of concessions from its labor unions. The carrier is the largest in Pennsylvania. The company has over 3,000 pilots and 28,000 employees (including more than 8,000 in Philadelphia).

On March 31, 2003, US Airways received a loan guarantee from the Air Transportation Stabilization Board (ATSB), which was created after 9/11 to help airlines recover. The loan guarantee covered \$900 million of a \$1 billion loan. This loan, along with private financing and \$2 billion in cost cuts, allowed US Airways to emerge from its first bankruptcy. Since then, however, the carrier has not achieved its financial projections because of higher-than-expected fuel costs, intense competition from low-cost airlines such as Southwest Airlines, and a broad decline in high-end demand.

In this second bankruptcy, US Airways will likely try to terminate its remaining pension plans (its pilots’ plan was terminated in the last bankruptcy). The Federal Pension Benefit Guaranty Corporation (PBGC) would then take over responsibility for the plans’ payments and their massive unfunded liabilities. PBGC annual payments are capped at \$44,000, meaning that some highly compensated US Airways employees may lose some of their benefits.

On October 5, the Air Line Pilots Association, representing about 3,200 pilots, agreed to let members vote on pay, benefit, and pension concessions totaling about \$300 million per year. The ratification-voting process will not end until October 21, and

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union members may face temporary court-imposed cuts before then. On October 14, an Alexandria, Virginia, Bankruptcy Court imposed a four-month, 21 percent wage decrease on most unionized employees and approved the use of \$745 million in government-backed cash over the next three months. On October 21, US Airways pilots will vote on a \$300 million concessionary agreement which would wipe out the 21 percent wage decrease and replace it with an 18 percent wage decrease over five years. In late September, Pittsburgh union representative John Brookman stated he would not support a proposal eliminating retiree health care and reduced retirement contributions significantly. The only employees exempt are 250 dispatch workers who have already arranged a tentative \$4.5 million cost-cutting agreement.

On October 18, US Airways introduced a new February schedule. It reflected cutbacks in Pittsburgh, faster jet turnaround times, and 230 new flights out of Philadelphia, Charlotte, and Fort Lauderdale.

US Airways still needs to come to agreement with its flight-crew training instructors, flight-simulator engineers, flight attendants, and mechanics. Without substantial cost cuts and private sector investment, the airline is likely to liquidate. Recognizing the potential to gain market share, Southwest Airlines has announced plans to increase flights from Philadelphia from 28 to 41 daily flights and to add two gates at the airport.

FINANCIAL ISSUES IN PITTSBURGH AND PHILADELPHIA

Pittsburgh

Pittsburgh's finance director has projected by the end of December the city will be \$8.8 million in debt. The city controller's projection is equally bleak, predicting the city will run out of money by the end of November, ending the year \$13 million in debt.

In the next few weeks, the city's fiscal oversight board is expected to issue the Legislature its long-term plan for restructuring the budget. The plan may include increasing the 10 dollar yearly occupation tax and instituting a payroll tax for businesses. If the Commonwealth does not approve some kind of tax reform, the city's Act 47 recovery team is empowered to petition the Common Pleas Court for wage taxes on commuters and city workers.

Philadelphia

In June, the Philadelphia City Council passed a \$3.4 billion 2005 fiscal year budget by a 12 to 5 vote. Council members also approved tax-cutting measures to reduce the city's

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wage and business-privilege taxes. Mayor John Street (D) fought any tax reduction measure. After tough negotiations between Mayor Street and the City Council, some provisions were dropped, including a \$110 million business tax-cut bill. Street accepted \$50 million in wage tax-cuts and agreed to spending cuts, including 4 million dollars for the Philadelphia Police Department.

In early September, Mayor Street unveiled a \$500 million “New River City” plan to spur redevelopment of abandoned industrial sites near the Schuylkill and Delaware Rivers. The plan includes turning part of the Navy Yard into a mixed-use community of suburban-style homes, office parks, and a marina over the next 30 years.

INVESTIGATION OF STREET ADMINISTRATION

Since October 2003, a wide-ranging investigation of city contracts and political connections involving some officials for Philadelphia Mayor John Street has been ongoing. A number of officials connected with the Street Administration have been indicted recently.

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STATISTICS

2000 General Election Results (Presidential):

	Total	Win %
Gore	2,485,967	51%
Bush	2,281,127	46%
Nader	103,392	2%
Other	41,699	1%

1996 General Election Results (Presidential):

	Total	Win %
Clinton	2,215,819	49%
Dole	1,801,169	40%
Perot	430,984	10%
Other	58,146	1%

CONGRESSIONAL DELEGATION

U.S. SENATE:

- Arlen Specter (R), 4th term, re-elected in 1998 with 61%
- Rick Santorum (R), 2nd term, re-elected in 2000 with 52%

U.S. HOUSE: 19 Total (12R, 7D)

- Robert Brady (D-01), 3rd full term, re-elected with 86%
- Chaka Fattah (D-02), 5th term, re-elected with 88%
- Phil English (R-03), 5th consecutive term, 1st term in PA-03, re-elected with 78%
- Melissa Hart (R-04), 2nd term, re-elected with 65%
- John Peterson (R-05), 4th term, re-elected with 87%
- Jim Gerlach (R-06), 1st term, elected with 51%
- Curt Weldon (R-07), 9th term, re-elected with 66%
- Jim Greenwood (R-08), 6th term, re-elected with 63%
- Bill Shuster (R-09), 2nd term, re-elected with 71%
- Don Sherwood (R-10), 3rd term, re-elected with 93%
- Paul Kanjorski (D-11), 10th term, re-elected with 56%
- John Murtha (D-12), 15th full term, re-elected with 73%
- Joe Hoeffel (D-13), 3rd term, re-elected with 51%

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- Mike Doyle (D-14), 5th consecutive term, 1st term in PA-14, re-elected without opposition
- Pat Toomey (R-15), 3rd term, re-elected with 57%
- Joe Pitts (R-16), 4th term, re-elected with 88%
- Tim Holden (D-17), 6th consecutive term, 1st term in PA-17, re-elected with 51%
- Tim Murphy (R-18), 1st term, elected with 60%
- Todd Platts (R-19), 2nd term, re-elected with 91%

STATE GOVERNMENT

Governor Ed Rendell (D), elected in 2002 with 53%

Lieutenant Governor Catherine Baker Knoll (D), elected with Governor Rendell

Attorney General Gerald Pappert (R), 1st term, replaced Mike Fisher on December 15, 2003

Treasurer Barbara Hafer (D), 2nd term, re-elected, as a Republican, in 2000 with 49%

Auditor General Robert Casey, Jr. (D), 2nd term, re-elected in 2000 with 57%

State House: **203 (109R, 93D, 1 Vacancy)**

Speaker: John Perzel (R)

Majority Leader: Samuel Smith (R)

Minority Leader: William DeWeese (D)

State Senate: **50 (29R, 21D)**

President: Lieutenant Governor Catherine Baker Knoll (D)

Majority Leader: David “Chip” Brightbill (R)

Minority Leader: Robert Mellow (D)

STATE PARTY

State Chairman: Alan Novak

National Committeeman: Bob Asher

National Committeewoman: Christine Toretta Olson

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STATE DEMOGRAPHIC PROFILE

Estimated Population 2000:

Pennsylvania: 12,281,054, an increase of 3.4% since 1990

National: 281,421,906, an increase of 13.1% since 1990

Race/Ethnicity:

Pennsylvania: 84.1% White; 10.0% African-American; 3.2% Hispanic; 1.8% Asian

National: 69.1% White; 12.5% Hispanic; 12.3% African-American;

3.6% Asian; 0.9% Native American

Median Age:

Pennsylvania: 38.0 years (15.6% are 65 years and older)

National: 35.3 years (12.4% are 65 years and older)

College Educated:

Pennsylvania: 22.4%

National: 24.4%

Median Income:

Pennsylvania: \$40,106

National: \$41,994

Households:

Pennsylvania: 67.2% family households; 51.7% married couple families

National: 68.1% family households; 51.7% married couple families

(Source: 2000 U.S. Census Bureau)

YOUR PREVIOUS TRAVEL

Event	Date	Location
Victory 2004 – Iraq Speech	October 6, 2004	Wilkes-Barre
Victory 2004 Rally	October 1, 2004	Allentown
Bush-Cheney '04 Focus on Education Event	September 22, 2004	King of Prussia
Tour of Flood Damage		Millvale
Victory 2004 Rally		Latrobe
Remarks at Byers' Choice and Victory 2004 Rally at Cambria County War Memorial	September 9, 2004	Colmar Johnstown
Remarks at Victory 2004 Rally	September 4, 2004	Erie
Remarks at Victory 2004 Rally	September 3, 2004	Moosic
Drop by Softball Game and Family Style Picnic	August 31, 2004	Gettysburg
Tour and Remarks at the Boeing Facility	August 17, 2004	Ridley Park
Bush-Cheney '04 Rally	July 31, 2004	Pittsburgh

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Bush-Cheney '04 Bus Tour	July 9, 2004	Kutztown Lancaster York
Remarks on AIDS/HIV Compassion Victory 2004 Luncheon	June 23, 2004	Philadelphia Villanova
Remarks on Iraq and the War on Terror	May 24, 2004	Carlisle
Remarks on the USA PATRIOT Act and Specter for Senate Event	April 19, 2004	Hershey Pittsburgh
Conversation on Homeownership and Visit with A New Homeowner	March 15, 2004	Ardmore
Conversation on Education and the Jobs for the 21 st Century Initiative	February 12, 2004	Harrisburg
“Congress of Tomorrow” Republican Retreat	January 31, 2004	Philadelphia
Bush-Cheney '04 Luncheon	December 2, 2003	Pittsburgh
Bush-Cheney '04 Finance Event	September 15, 2003	Philadelphia
National Urban League Conference	July 28, 2003	Pittsburgh
United States Coast Guard	March 31, 2003	Philadelphia
Roundtable and Remarks on Medical Liability Reform	January 16, 2003	Scranton
Faith Based and Community Initiatives Conference	December 12, 2002	Philadelphia
Pennsylvania Welcome	November 1, 2002	Harrisburg
Pennsylvania Welcome	October 22, 2002	Downingtown
Carpenters Labor Day Picnic	September 2, 2002	Pittsburgh
Coal Miners Event, Fisher Fundraiser and Born Alive Bill Signing	August 5, 2002	Pittsburgh
Early Childhood Education Initiative and Fisher Fundraiser	April 2, 2002	Middletown
Tour People’s Emergency Center and Conversation on Service	March 12, 2002	Philadelphia
University of Pittsburgh Medical Center Remarks on Bioterrorism	February 5, 2002	Pittsburgh
Brownfields Bill Signing	January 11, 2002	Conshohocken
Army – Navy Game	December 1, 2001	Philadelphia
Steel Workers Picnic and Little League World Series	August 26, 2001	Pittsburgh Williamsport
Faith-Based Block Party	July 4, 2001	Philadelphia

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Tour and Energy Speech at Safe Harbor Hydroelectric Dam		
Project Safe Neighborhoods Announcement	May 14, 2001	Philadelphia
Budget Tour Stop at Control Concepts	February 28, 2001	Beaver
House Democrat Retreat	February 4, 2001	Farmington

THE VICE PRESIDENT’S PREVIOUS TRAVEL

Event	Date	Location
Victory 2004 Townhall Meeting	October 18, 2004	Johnstown
Bush-Cheney '04 Townhall Meeting	October 13, 2004	Meadville
Victory 2004 Rally		Saxonburg
Bush- Cheney '04 Debate Watch Party		Coraopolis
Tour and Townhall Meeting at PLR Industries	September 20, 2004	Cornwall
Bush-Cheney '04 Bus Tour	August 25, 2004	Bloomsburg Pottsville Williamsport
Dent for Congress Breakfast	July 12, 2004	Bethlehem
Paterno for Congress Luncheon		Harrisburg
Victory 2004 Reception		Pittsburgh
Bush-Cheney '04 Bus Tour	July 4, 2004	Pittsburgh Altoona
NRA Annual Members Banquet	April 17, 2004	Pittsburgh
Murphy for Congress Finance Event	February 27, 2004	Latrobe
Lunch at the GOP Congressional Retreat and Tour of the Philadelphia International Car Show	January 29, 2004	Philadelphia
Gerlach for Congress Finance Event	October 3, 2003	Conshohocken
Citizens for Arlen Specter Finance Event	June 16, 2003	Harrisburg
Gekas for Congress Finance Event	October 25, 2002	Reading
Dedication of Huntsman Hall, University of Pennsylvania	October 25, 2002	Philadelphia
Gerlach for Congress Finance Event	July 18, 2002	Conshohocken
Murphy for Congress Finance Event		Pittsburgh
Gekas for Congress Finance Event	June 7, 2002	Harrisburg
Toomey for Congress Finance Event	April 19, 2002	Allentown
Speech to NACO	July 16, 2001	Philadelphia
Energy Town Hall		Pittsburgh

¹ Department of Labor, Bureau and Labor Statistics

21 ELECTORAL VOTES

2004 – SENATOR ARLEN SPECTER (R) UP

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² Quinnipiac University. Conducted July 6 - 11. Surveyed 1,577 Pennsylvania registered voters, +/- 2.5% margin of error.

³ Strategic Vision Poll. Conducted October 9-11, surveyed 801 likely voters, margin of error +/- 3 percent.

⁴ West Chester University Center for Social and Economic Research. Conducted October 1-4, surveyed 600 likely voters, margin of error +/- 4%

⁵ Quinnipiac Poll, Conducted 9/22-23. Surveyed 726 likely voters, +/- 3.6% margin of error.

⁶ Public Opinion Strategies Internal poll. Conducted October 10-11. Surveyed N/A, +/-N/A margin of error.

⁷ Public Opinion Strategies Internal poll. Conducted September 26-27. Surveyed N/A, +/-N/A margin of error.

⁶ Public Opinion Strategies Internal poll. Conducted September 27-28. Surveyed N/A, +/-N/A margin of error.

⁷ Franklin & Marshall College. Conducted September 16-20. Surveyed 400 likely adults, +/- 4.9% margin of error.

⁸ Public Opinion Strategies Internal poll. Conducted October 12-13. Surveyed 300 likely voters, +/-5.8% margin of error

⁹ Morning Call/Muhlenberg College. Conducted September 27-October 3. Surveyed 440 registered voters, +/- 4.7% margin of error

¹² American Research Group, Conducted October 14-15. Surveyed 320 likely voters, +/- 5.5% margin of error.