

Subject: Final PA Political briefing
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w updates from this morning.

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 August 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

Hurricane Frances

On September 19, you declared a major disaster for Pennsylvania and ordered Federal aid to supplement state and local recovery efforts. The aid was targeted for the area struck by severe storms and flooding associated with Tropical Storm Frances on September 8 and 9. Your action makes Federal funding available to affected individuals in the counties of Beaver, Blair, and Crawford.

Hurricane Ivan

On September 19, you also declared a major disaster for the area struck by Tropical Depression Ivan. Your action makes Federal funding available to affected individuals in the counties of Allegheny, Armstrong, Beaver, Butler, Centre, Clearfield, Cumberland, Dauphin, Indiana, Lackawanna, Luzerne, Lycoming, Northampton, Perry, Schuylkill, Susquehanna, Washington, Westmoreland, and Wyoming.

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 193-8 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.

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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 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 two percent.

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, 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 company of over 3,000 pilots and 28,000 employees (including more than 8,000 in Philadelphia) is seeking to reduce overall labor costs by \$805 million, including \$295 million in annual concessions from pilots.

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

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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.

US Airways will work to renegotiate its labor contracts and seek private capital as it reorganizes under bankruptcy protection. Without substantial cost cuts and private sector investment, the airline is likely to liquidate.

CAMERA SYSTEM

On September 15, the Pittsburgh City Council approved the use of a nearly \$496,000 anti-terrorism grant from the U.S. Department of Justice to build a robotic camera system to help public safety officials respond to emergencies. The new cameras will link to existing camera feeds from the Pennsylvania Department of Transportation and other agencies, and be monitored by the city-county Emergency Operations Center.

COAL ENERGY

Governor Rendell has targeted the Pennsylvania coal industry in his plans to put environmental protection at the top of his agenda. The Governor is supporting legislation requiring energy producers to burn less coal within six years. As part of his plan, the Governor wants to require energy companies to increase their use of alternative fuels by ten percent by 2010. The Governor also wants the Commonwealth and government contractors to use alternatives to coal for 20 percent of their energy by 2010.

On June 7, Congressman and U.S. Senate candidate Joe Hoeffel (D-13) called for "energy independence," by proposing energy conservation, alternative production measures, and a 50 percent increase in fuel efficiency for cars.

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MERCURY RULES

On April 15, Philadelphia became the first major city to pass a resolution urging the Environmental Protection Agency (EPA) to revisit its mercury rules. Specifically, the Philadelphia resolution urges EPA to issue rules that would reduce mercury emissions by 90 percent by the year 2008. By agreement, EPA will issue final rules in March 2005.

TOBYHANNA ARMY DEPOT

The Tobyhanna Army Depot, located in Monroe County in northeast Pennsylvania, is targeted for the next round of base closures. The Depot is the region's largest employer with 3,500 employees, and it is set to hire another 300. The Depot designs, manufactures, and repairs military electronic systems. It has an annual payroll of over \$200 million and supports many local businesses with its purchases. The Depot has an overall economic impact of \$900 million, and it is estimated that its spending supports 3,940 additional jobs in the area.

In the last four rounds of base closures from 1988 to 1995, Pennsylvania lost 16,000 jobs. A group of regional business and political leaders has hired a Washington lobbyist to raise \$350,000 in an effort to keep the Depot off the U.S. Department of Defense's list of proposed base closures to be submitted in May 2005. Senator Arlen Specter (R, PA) has reiterated his support for keeping the Depot open.

CRIME RATES

Serious crimes and lesser offenses declined slightly in 2003 in Pennsylvania overall but increased in Pittsburgh and Allegheny County. The annual Uniform Crime Report (which tallies murders, rapes, thefts, assaults, and less serious offenses throughout the state) counted 927,099 crimes reported to state police, a decrease of 0.7 percent from 2002. The number of serious crimes (murder, rape, robbery, arson) also dropped by 0.7 percent. About 321,000 such crimes were reported in 2002, and if that number holds, it will be the state's lowest "serious crime" figure since 1973. The final 2003 figure could change as police continue to update reports throughout this year and next.

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FINANCIAL ISSUES IN PITTSBURGH AND PHILADELPHIA

Pittsburgh

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

The city's fiscal oversight board is expected to issue the legislature its long-term plan for restructuring the budget in the next few weeks. The plan may include increasing the ten dollar yearly occupation tax and instituting a payroll tax for businesses. If the state 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

On June 21, the Philadelphia City Council passed a \$3.4 billion 2005 fiscal year budget in a 12-5 vote. Council members also approved tax-cutting measures to reduce the City's 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 four 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%

*Matthew Hunter, Office of Political Affairs
202-456-6173(O), 202-309-1493 (M)
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- 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%
- 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, 94D)**
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 Torette 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
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
Bush-Cheney '04 Bus Tour	July 9, 2004	Kutztown Lancaster York
Remarks on AIDS/HIV Compassion Victory 2004 Luncheon	June 23, 2004	Philadelphia Villanova

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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
Tour and Energy Speech at Safe Harbor Hydroelectric Dam	May 18, 2001	Conestoga
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

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THE VICE PRESIDENT’S PREVIOUS TRAVEL

Event	Date	Location
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 Paterno for Congress Luncheon Victory 2004 Reception	July 12, 2004	Bethlehem Harrisburg 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 Murphy for Congress Finance Event	July 18, 2002	Conshohocken Pittsburgh
Gekas for Congress Finance Event	June 7, 2002	Harrisburg
Toomey for Congress Finance Event	April 19, 2002	Allentown
Speech to NACO Energy Town Hall	July 16, 2001	Philadelphia Pittsburgh

¹ Department of Labor, Bureau and Labor Statistics

² Mason-Dixon Polling & Research, Conducted September 14-16. Surveyed 624 likely voters, +/- 4% margin of error.

³ Strategic Vision, Conducted September 13-15. Surveyed 801 likely voters, +/- 3% margin of error.

⁴ Franklin & Marshall College. Conducted September 8 – 15. Surveyed 491 registered voters, +/- 4.4 % margin of error.

⁵ Quinnipiac University, Conducted September 11 – 14. Surveyed 1,205 Pennsylvania registered voters, +/- 3.5% margin of error.

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

⁷ Quinnipiac University, Conducted September 11 – 14. Surveyed 1,205 Pennsylvania registered voters, +/- 3.5% margin of error.

⁸ Garin-Hart-Yang Research Group, conducted 07/03/-07/04/04, surveyed 601 registered Pennsylvania voters, +/- 4

21 ELECTORAL VOTES

2004 – SENATOR ARLEN SPECTER (R) UP

% margin of error.

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⁹ The Opinion Strategies. Conducted August 14-23. Surveyed 350 likely Pennsylvania voters, +/- 5.24% margin of error

¹⁰ The Terrance Group. Conducted June 21 – 22. Surveyed 300 likely Pennsylvania District 15 voters.

¹¹ Franklin & Marshall College. Conducted August 30 – September 7. Surveyed 431 registered voters, +/- 4.7 % margin of error.