



Alternative Energy Report

February 5, 2008
Special Report

Special Report - PA Budget Update

Governor's Budget Address Pushes Incentives, Infrastructure Development

Governor Ed Rendell today proposed a 2008-2009 state budget which he said would help Pennsylvania weather a short term economic slowdown by “Protecting Our Progress” by implementing economic incentives and infrastructure development programs that “offer immediate fiscal relief to struggling working families and infuse much-needed capital into public-works projects and local business development.” Click here for a PDF of the [Governor's budget address](#). A powerpoint briefing on the budget is also available, click [here](#) to view.

The \$61.3 billion state budget includes a \$28.4 billion general fund budget - a 4.3 percent increase over 2007-8, which he said keeps pace with the current 4.1% inflation rate. Rendell said that 24 other states face budget deficits of \$34 billion, but that Pennsylvania revenue estimates show a year end surplus of \$427.5 million.

He proposed a series of economic development and job creation initiatives, some old, some new, to have an “immediate positive impact on the economy.”

The Governor called for immediate implementation of economic stimulus programs to:

- Target \$130 million in personal income tax rebates to lower-income working families with at least one child within 60 days of enactment - \$200 million targeted to individual filers and \$400 million to couples. To accomplish this quick turn-around, the Governor proposes that we “borrow” these funds from the Rainy Day Fund and repay them by year-end.
- Provide \$750 million in bond funds for Redevelopment Capital Assistance Funds that would support another \$1 billion in projects over the longer term.
- Implement the \$500 million bond fund for brick and mortar expansion projects for health science research centers under the proposed Jonas Salk Legacy Fund.
- Add \$100 million to the Business in Our Sites program.

Other key components of the Governor's economic stimulus focus include:

- The Energy Independence Strategy, and \$850 million in bond funds to support alternative fuel, clean energy and conservation measures and stimulate the economy.
- An expanded Job Creation Tax Credit from \$1,000 to \$3,000 during the first year of employment.
- Interest rate reductions for economic development loans under Small Business

First, Machinery and Equipment Loan and Industrial Development programs. Machinery and Equipment Loan Fund monies are put under the Industrial Development aegis in the Governor's budget.

- An extended Keystone Opportunity Zone program, to fund development of underutilized land and buildings and for industrial reuse and job creation, including another seven year extension of tax abatement for existing land within KOZs that has not yet been developed.
- An increase of \$10 million for the Infrastructure Development Program that provides infrastructure upgrades for businesses ready to expand.
- A \$250 million commitment to infrastructure – bridges, rail freight lines, small airports, high-hazard dams and flood related projects.

He said, “By acting now, we can stimulate Pennsylvania's economy, protect our citizens from the impact of a national downturn, and continue to make the Commonwealth more competitive in the battle for jobs and opportunity.”

Energy Independence Strategy

The Governor again called for enactment of his Energy Independence Strategy, and funding of an \$850 million bond for energy conservation and investment. He said the fund would attract \$3.5 billion in new private capital, and it will create 13,000 new jobs.

He called for passage of the Penn Fuels initiative, and the requirement of one billion gallons of Pennsylvania grown biofuels, including ethanol, be produced and consumed in Pennsylvania by 2017. He noted that the recently signed Energy Independence and Security Act received both conservative Republican and liberal Democrat support for increasing the federal ethanol standard six-fold.

He notes, “ But they also did something visionary – requiring that a substantial percentage of that ethanol come, not from corn, but from cellulosic material such as switchgrass, wood chips, wood fiber and agricultural waste. Pennsylvania has these feedstocks for cellulosic ethanol in abundance, so I ask you to follow their lead and require that a significant percentage of our ethanol requirement come from these sources as well.” This is a significant new twist to the Governor's renewable fuels proposals.

He said, “It doesn't take much imagination to see Pennsylvania's energy economy booming when we become to cellulosic ethanol what Iowa has been to corn-based ethanol. The time for action is long overdue. We can and we must achieve independence from fossil fuels in general, and we can and we must reduce our dependence on foreign oil in particular. It's good for the environment, and good for the Pennsylvania economy, too. The state that becomes a leader in renewable energy will be a state that will have a vibrant economy for decades to come.

Energy Resources Group

200 North Third St. | Suite 1100 | Harrisburg, PA 17101

Phone: 717-233-8070 | Fax: 717-233-8665

E-Mail: info@pa-erg.com

[Click Here](#) to be removed from this list