

House Democratic 2014/15 Budget Priorities

Pennsylvania faces a \$1.44 billion to \$1.65 billion revenue shortfall. Pennsylvania is one of only 11 states to face a revenue shortfall in 2014, while the majority of states will meet or exceed their revenue estimates.

- Gov. Corbett's policies are not working. They are taking us in the wrong direction. **Gov. Corbett reduced business taxes by \$2.1 billion over his tenure, at a time when the state could not afford to do so.** He chose to reduce the taxes businesses pay, while cutting funding for our schools and health and human service programs.
- **Moving forward, if the General Assembly were to roll-back some of the governor's business tax breaks, enact fair and reasonable revenue enhancements that improve tax fairness and immediately expand Medicaid, Pennsylvania could have \$2 billion in additional funds in 2014/15.** Without further burdening workers and families, the commonwealth could afford to close the budget gap, pay its bills and begin to put Pennsylvania back on track by restoring some of Gov. Corbett's devastating budget cuts to public education and human services.
- **Sadly, it appears Gov. Corbett and the GOP will balance the General Fund budget by resorting to more devastating budget cuts and one-time funding gimmicks (e.g. diverting money from smaller funds historically dedicated to specific programs such as aging and the environment).** This will result in a structural budget deficit in the following year that dwarfs the problems we are facing now, with truly disastrous consequences for Pennsylvania schools, the economy and the middle class.
- **For several years, House Democrats have been advocating for common-sense revenue enhancements that would provide sustainable funding.** When Pennsylvania can afford it, then let's talk about tax cuts for everyone - workers, retirees and families - not just businesses.
- **The fiscal year ends on June 30 and there still is no real budget bill to consider. However, House Democrats will continue to advocate for enacting a responsible budget plan that provides a significant commitment to restoring the budget cuts made over Gov. Corbett's tenure and sustainable funding.**
- While there are numerous appropriations within the state budget in need of additional support, the following items represent the areas where House Democrats believe the most significant dollars should be targeted.
- We look forward to a meaningful discussion that addresses all of the appropriations that House Democrats believe are critical to a budget agreement that reflects a bi-partisan approach to improving the quality of life for all Pennsylvanians.

K-12 Education

The governor **cut \$1 billion from K-12 education** in his first year, and three years later, those recurring cuts remain largely in place. **Cumulatively, funding cuts to education now total nearly \$3 billion.**

- Inadequate education funding at the state level has led to property tax increases at the local level. In fact, according to the latest survey from the school administrators and business officials, three-fourths of school districts expect to increase local property taxes in 2014/15.
- Under Gov. Corbett's tenure, school districts across Pennsylvania have been forced to increase class sizes, reduce course offerings, cut more than 20,000 teachers and other education jobs and hike local property taxes.

House Democrats believe the most significant restorations in education must focus on:

- Meaningfully restoring Gov. Corbett's cuts to K-12 education, including the Basic Education Subsidy, the traditional Accountability Block Grant, and reimbursement for charter school expenditures, tutoring, science programs and other eliminated programs.
- Reallocating the governor's proposed new Ready to Learn Block Grant funding to more flexible education programs (e.g. the Basic Education Subsidy and Charter School Reimbursement).

- Creating an adequate and fair school funding formula.
- Providing additional funding to PlanCon for capital expenditures on school construction projects and ending the current project moratorium to fulfill the commitments previously made to those enrolled in the program.
- Supporting affordable, high quality early learning programs within the Departments of Public Welfare and Education.
- Providing support and flexibility for the Philadelphia School District, the state’s largest district:
 - Passing legislation to phase-in a split of the one percent local Philadelphia sales and use tax between the school district and the city’s municipal pension system.
 - Passing House Bill 1751 to enable a local Philadelphia cigarette tax with all revenues directed to the school district.
 - Modifying Act 52 of 2013 to remove roadblocks for the district in receiving adequate funding (e.g. maintenance of effort language and oversight/certification language).

Higher Education

State funding for public institutions of higher education is still between 4.5 percent and 19 percent lower than 2010/11, depending on the type of institution.

- Our public universities and community colleges – the cornerstone of higher education for many Pennsylvania residents and vital tools for educating and training our workforce – are struggling; tuition for students is unaffordable for many.
- Pennsylvania ranks third in the nation for average student loan debt.

House Democrats believe the most significant restorations in higher education must focus on:

- Meaningfully restoring the cuts to institutions of higher education.
- Increasing state funding for PHEAA grants to make higher education for affordable.

Pensions

By calling for pension “reform,” Gov. Corbett is trying to make state and school workers the scapegoats for his budget problems. The Corbett-Tobash plan would cut retirement benefits by 40 percent on average, in addition to the 20 percent reduction under Act 120 of 2010.

- Public servants have been faithfully paying into the pension systems all along – they aren’t the ones who created the debt.
- In the past, many times over, Pennsylvania has increased its pension debt by taking a pass on making the necessary payments (i.e. making less than the minimum payment on the state’s credit card). More than half of today’s pension payment goes towards paying old debt.
- Our focus should be on paying down the pension debt – not on making the long-term situation worse just to score political points or win an election.
- While House Democrats are open to new pension ideas, Act 120 is the benchmark by which we must compare the various plans. We have yet to see a plan that offers any short-term savings (without significantly increasing the long-term debt) or significant long-term savings over those already achieved under Act 120.

House Democrats believe the budget must include:

- Making our full, legally required payments to the pension systems to avoid increasing the long-term pension debt even further.
- Avoiding irresponsible and harsh cuts to retirement benefits for teachers, school nurses, state police officers, corrections officers and all other current and future public servants.
- Maintaining the moderate health care supplement that Pennsylvania provides to its school retirees.

- Ensuring the Public Employee Retirement Commission (PERC) has adequate funding to independently furnish to the General Assembly unbiased and comprehensive actuarial notes on pension proposals in a timely manner, as required by law.

Health & Human Services

House Democrats support policies that expand the number of Pennsylvanians who have access to affordable health care and maintain the safety net that protects tens of thousands of residents who are poor, elderly or have disabilities.

House Democrats believe the most significant investments in health and human services must focus on:

- Expanding Medicaid immediately and rejecting the governor’s proposed Healthy PA waiver.
- Continuing the Medical Assistance for Workers with Disabilities (MAWD) program.
- Restoring cuts to county human service programs for children and youth, mental health services, intellectual disabilities, drug and alcohol programs and homeless assistance.
- Supporting community-based programs that serve seniors and individuals with disabilities.
- Protecting critical services for senior citizens by supporting the current Lottery Fund administration and rejecting privatization proposals.
- Properly supporting the State Food Purchase Program which makes it possible for food assistance providers across the commonwealth to help children, veterans, seniors, people with disabilities and others trying to make ends meet.
- Restoring cuts and eliminations to programs in the Department of Health that provide critical health supports and health research.
- Establishing a Marcellus Shale health registry and providing the Department of Health with the tools and resources it needs to protect citizens from drilling-related illnesses.

Environment

House Democrats support the responsible development of Marcellus Shale gas and other renewable energy sources while protecting the public health and preserving the state’s wildlife and natural resources.

House Democrats believe the most significant investments in the environment must focus on:

- Supporting programs that protect our environment including agency oversight programs, flood control projects, sewage facilities projects, the West Nile Virus Control program, and providing Pennsylvania’s fair share to the Delaware River Basin Commission.
- Rejecting Gov. Corbett’s plan to allow additional leases for natural gas drilling on state lands.
- Making a serious commitment to address the conflict of interest created by funding our state conservation agency with funds from natural gas drilling, rather than General Funds.

Job Creation & Economic Development

In national rankings, Pennsylvania is consistently at the bottom in job growth and projected job growth – behind most of our surrounding states.

- When you look at the entire jobs picture and subtract the public sector job losses, only 130,000 jobs have been created since Gov. Corbett came into office.

House Democrats believe the most significant investments in job creation must focus on:

- Investing in workforce training programs, economic development services providers, local revitalization and accessible housing, and programs promoting Pennsylvania as a tourism and cultural destination.
- Putting school employees back to work by restoring our investment in public education.
- Creating jobs in the health care sector by immediately opting into Medicaid Expansion.
- Ensuring affordable access to higher education.

- Retaining public sector jobs by adequately funding our state agencies and rejecting pension, liquor and lottery privatization proposals.
- Making the minimum wage a living wage and help thousands of Pennsylvanians escape poverty.

State Agencies & Row Offices

- Providing funding that adequately supports our state agencies and row offices.

Improve Tax Fairness & Close Corporate Loopholes

- Enacting fair and reasonable revenue enhancements that improve the tax climate and support tax fairness including: a reasonable natural gas severance tax; closing corporate tax loopholes including the infamous Delaware tax loophole; repealing Gov. Corbett's Capital Stock and Franchise Tax cut; imposing a tax on smokeless tobacco and cigars; and capping the vendor discount under the Sales and Use Tax.

Improve State-Managed Liquor Store System & Consumer Convenience

- Increasing funds from liquor store profits by improving consumer convenience within the current state-managed system (e.g. expanding state store hours, opening more stores on Sundays and implementing flexible pricing).