

Pennsylvania State Spending & Fiscal Crunch: What Now

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PA Budget Overview

- Enacted: \$28.04 billion General Fund Budget
- Total Operating Budget: Approximate **\$66 billion**
- Capital Budget: \$1.8 billion in bond issues for projects
- Independent state agencies: Turnpike Commission, PHEAA, etc.

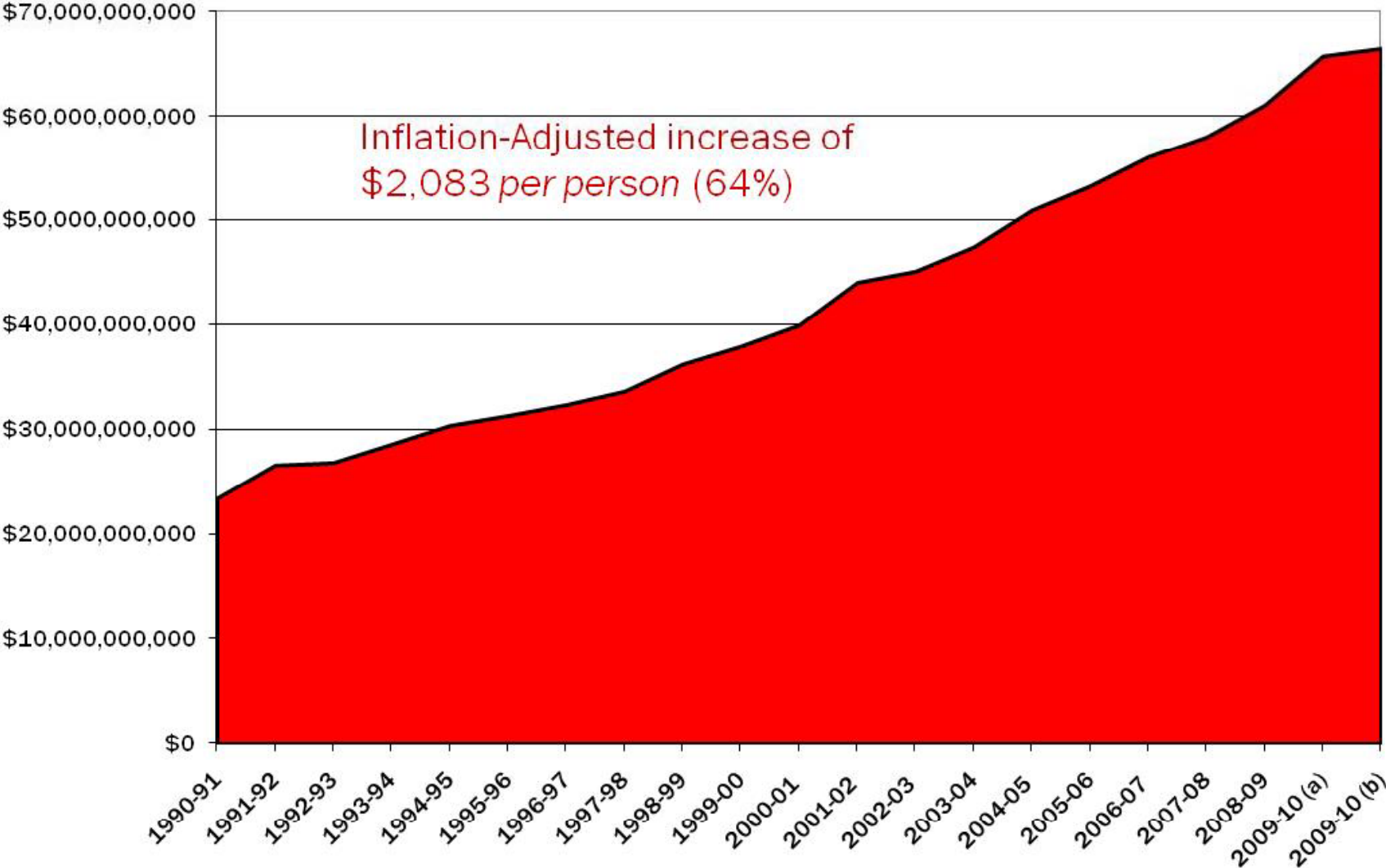
Thomas Jefferson:

The natural progress of things is for liberty to yield and government to gain ground.

James Madison:

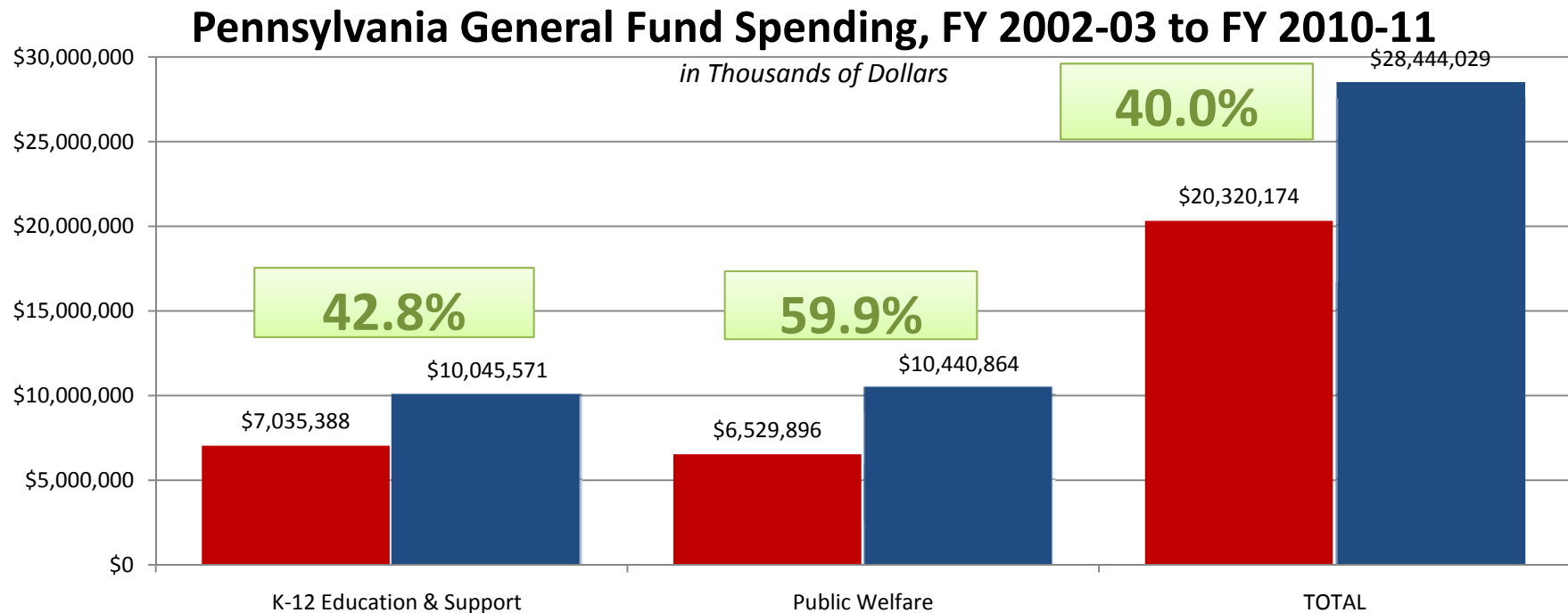
I believe there are more instances of the abridgement of freedom of the people by gradual and silent encroachments by those in power than by violent and sudden usurpations.

Pennsylvania State Operating Budget, 1990-2010



Spending Under Rendell

- General Fund spending increased by \$8.1 billion, or 40% since 2003
 - Largest growth in Education, Public Welfare, Transportation, and Treasury (Debt Payments)



2010 PA Budget Deal Facts

- Relies on \$850 million in federal Medicaid money (FMAP)
 - Congress passed legislation giving PA \$600 million— opening up a \$250 million gap
- \$66 million in WAMs that had been eliminated in 2009
- \$600 million in RACP Funding – Debt Financed Corporate Welfare
 - Includes \$10 million each for Arlen Specter Library, Jack Murtha Center

State Budget Shortfall

- Stimulus money runs out in 2011-12
 - 2010-11 budget relies on \$2.7 billion
- Rainy Day fund and other funds used up (used \$150 million from other funds in 2010)
- MCare Fund Lawsuit
 - Commonwealth Court says state must pay back \$800 million taken to balance last year's budget
- I-80 tolling rejection
 - Rendell planned to spend \$450 million/year from that

State Government Pensions

- ***Increase*** in taxpayer contributions to SERS and PSERS
 - HB 2497 delays “spike” —but taxpayer contributions to rise from \$500 million in 2010 to \$6 billion in 2015, \$10 billion by 2030
- **Causes**
 - 2001 pension benefits increase and 2002 COLA (passed when Republicans controlled both Houses and Governor’s office)
 - 2001-02 and 2008-09 investment losses (currently assume 8% annual return)
 - 2003 & 2010 legislation to delay payments on liability

Unemployment Compensation

- Pennsylvania's UC fund owes \$3 billion in debt to the federal government
 - Pennsylvania ranks among the top 10 states in highest unemployment taxes per employee
 - Current proposal to increase unemployment compensation eligibility to get a one-time federal grant of \$270 million. Would cost Pennsylvania taxpayers another \$60 million each year in perpetuity

PA Taxes Add Up

- Pennsylvania has the 11th highest state and local tax burden, up from 24th in 1990
- Pennsylvania taxpayers pay \$4,463 per capita in state and local taxes, 10.2% of their income
- Pennsylvania ranks 20th or higher in state and local total taxes, spending, property taxes, income taxes, corporate taxes, and debt per capita

PA State Debt

Pennsylvania State & Local Government Debt		
Debtor	Debt Outstanding	Per Capita
Total State	\$41,186,955,000	\$3,313
State	\$8,690,755,000	\$699
State Agencies & Authorities	\$32,496,200,000	\$2,614
Total Local	\$78,773,223,852	\$6,336
School Districts	\$26,059,284,754	\$2,096
County/Municipal/Twp/other	\$52,713,939,098	\$4,240
Total	\$119,960,178,852	\$9,649

Pennsylvania State, State Agencies & Authorities Debt

Debtor	Debt Outstanding 2002	Debt Outstanding 2009	Increase	Change
State	\$6,270,391,000	\$8,690,755,000	\$2,420,364,000	39%
State Agencies & Authorities	\$16,848,800,000	\$32,496,200,000	\$15,647,400,000	93%
Total State	\$23,119,191,000	\$41,186,955,000	\$18,067,764,000	78%

State Paying Firms to Come to Pennsylvania

- “Economic Development” Subsidies 2009-10
 - Ohio – \$860,594,397
 - Pennsylvania - \$754,651,000
 - California - \$734,225,000
- Recent Examples
 - Harley Davidson
 - Sport Stadiums
 - Film Tax Credit
 - “Green” Jobs

From 1991-2009, PA Ranks

- 43rd in Job Growth
 - 11.7%, vs. 22.8% Nationally
- 47th in Population Growth
 - 5.5%, vs. 22.0% Nationally
- 48th in Personal Income Growth
 - 107%, vs. 141% Nationally

Residents “Movin’ Out” of PA

- Census Data:
 - 56,000 net residents lost in inter-state migration from 2000-2009
 - 250,000 lost from 1990-1999
- IRS
 - PA lost a net 8,791 taxpayers to other states in 2008
 - Net loss of \$431 million
- United Van Lines: PA is second highest outbound state – 58% of movers leaving
- Allied Van Lines: PA ranks third in outbound migration – 60% leaving

Rankings of PA Economy

- Forbes: "The Best States for Business" - 41st (1 is best)
- CEO Magazine: Best States to do Business – 32nd (1 is best)
- American Legislative Exchange Council: State Economic Competitiveness Index - 46th on Economic Performance; 43rd for Economic Outlook (1 is best)
- Pacific Research Institute: Index of Economic Freedom - 46th (1 is best)
- The Beacon Hill Institute: State Economic Competitiveness - 39th (1 is best)

A Bit of Good News

- States Bordering PA are in Worse Shape
 - New York, New Jersey, and Ohio – Among Highest Tax States, Worst in Economic Growth, and Losing Residents ***to Pennsylvania***
 - West Virginia and Maryland – Near PA in Tax and Economic Rankings
 - Only Delaware has Significantly Lower Tax Burden, Stronger Economic Growth

CF Policy Reforms

- Transparency: put spending online (HB 1880, SB 105); each house passed a version
- Spending caps: limit the growth of spending to inflation + population growth
- Eliminate Corporate Welfare
- Privatize government-run liquor stores & more
- Initiative and Referendum

More Spending Reforms

- School Choice
 - Educational Improvement Tax Credit, charter schools, and homeschooling cost much less
- Repeal prevailing wage laws that increase the cost of government construction by 30%
- Corrections reform: costs of prison/prison construction is skyrocketing
- Medicaid reform: eliminate fraud (\$1 billion), convert to voucher for private insurance

What can Citizens Do?

- 10 – Minute Citizen
 - Get informed, then get active
 - Contact lawmakers, write letters to the editor
 - Most important: Be missionaries
 - Some tools at: Cfpolicy.com/citizen
- Build institutions of the movement
 - Those that rely on government spending are organized—well-funded, involved in elections (starting at local level), policy action (“ground troops”)

Citizens Can Have Major Impact

- Have killed legislation this past year, just by letting lawmakers know we are aware
 - Calls/emails/visits; Mention lawmakers by name in letters to the editors/blogs
 - Lawmakers know taxpayers outnumber tax eaters, but aren't convince we'll take action
- May to June 2010 – state budget season
 - Every special interest group that relies on state spending will be out in full force
 - Need to let them know we are watching too

CF inks

- CFPolicy.org/Budget
- CFPolicy.org/Pensions
- CFPolicy.org/Citizen

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