

Pennsylvania budget crisis threatens to bankrupt school districts

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The Pennsylvania state budget impasse, which has gone on for more than six months, is robbing \$1 million per week from Pennsylvania's 501 public school districts; it will bankrupt a dozen districts if the October 23 basic education payment is not made. In addition, the crisis could force the outright shutdown of at least one Pennsylvania school district by November 1.

The budget impasse is caused, much like the California fiscal crisis, by a Republican-controlled state legislature that is refusing to raise any taxes, especially the income tax.

In March, newly elected governor Ed Rendell, the former mayor of Philadelphia and head of the national Democratic Party, proposed a "bare-bones" budget full of drastic social program cuts that he said he reluctantly had to impose. Rendell then sought a deal in which he would accept lower state property taxes, which the Republicans and business have been clamoring for, in exchange for increasing state support for public education to a legally mandated 50 percent of expenditures.

State payment of 50 percent of public education costs had been legally mandated in Pennsylvania back in the 1970s. However, that law was observed mainly in its breach. The actual level of state funding for public education in Pennsylvania has fallen close to the 35 percent mark. When he was mayor of Philadelphia, Rendell took the first steps toward the current state takeover and privatization of public education in Pennsylvania's largest city. In exchange for supporting further property tax cuts, Rendell proposed some additions in the state education budget package, including funding for full-day kindergarten and lower class sizes.

The Republican state legislature immediately passed Rendell's March "bare-bones" budget with its 50 percent cut in funds for public libraries and deep cuts in funding for mass transit and other vital social programs. The governor then signed the budget with the drastic social

program cuts, but exercised his line item veto on the \$4 billion for public education in order to seek the funding increases he had outlined. The "bare-bones" budget went into effect with the start of the new fiscal year on July 1.

Since March, the Republicans have continued to block any increase in the state income tax. Revenue from an income tax increase is needed to fund the property tax cut/education reform in Rendell's budget plan. Rendell has proposed increasing the state income tax from its regressive flat rate of 2.75 percent to an equally flat and regressive 3.80 percent. He is now seeking a 3.1 percent rate and has reportedly suggested instituting a 1 percent sales tax increase—which hits working people and the poor the hardest—to replace the income tax rise. Senate Republicans, however, refuse to allow any of these tax increases.

The Republican-controlled legislature went on vacation at the end of July until September with no agreement on Rendell's plan. The August basic education subsidy payment to 501 school districts was not made; and now, with little sign of a budget agreement in sight, the second school payment on October 23 is in serious jeopardy of being missed. The Republican Senate, which recently offered to make the school payments at last year's levels, is now out of session, and Governor Rendell said a bill making last year's level of basic education subsidy payments was unacceptable and would be vetoed by him.

While the Pennsylvania state budget impasse drags on, Republican state legislators have turned their attention to usurping the democratic rights of the residents of the state's second largest city—Pittsburgh. They are taking over the budget-making powers of the city's elected officials and imposing a five-person financial board with dictatorial budget-making power appointed by and answering to the Republican state legislature. Similar measures have been taken in Detroit and other major cities to remove any local resistance to the promotion of

charter schools and other measures aimed at privatizing education.

The details of this authoritarian takeover plan were disclosed by Republican lawmakers to the *Pittsburgh Post-Gazette* newspaper on October 3. Democratic Pittsburgh mayor Tom Murphy opened the door for this state takeover by agreeing with his big business promoters to write a substantial shortfall into this year's city budget. The *Post-Gazette* originally reported the shortfall as \$60 million. Now the paper reports it as \$40 million. Mayor Murphy laid off nearly one fifth of the city workforce on August 6 of this year. He simultaneously slashed city social services when the state was not forthcoming with authorizations for the city to enact the tax hikes and other revenue-raising measures he sought. The Republican bill will not authorize a single revenue-raising measure for the city. It will simply set up a five-person financial oversight board with complete budgeting authority for a period of at least five years to insure draconian cuts in the debt-ridden city.

The local and statewide press have been very quiet about the state budget since the "bare-bones" budget was passed. As a result, little attention is being paid to the public services being cut back and closed down or to the municipal crises proliferating across the state. Even the impending crisis of public education that threatens school bankruptcies and closures state-wide has not drawn the attention of the media. Systematic information about the effects of the budget impasse has only been provided by a recently completed survey of 263 of the state's 501 school districts by the Pennsylvania School Boards Association (PSBA).

In its report, released October 1, the PSBA found that the districts were losing \$1 million a week since the state withheld the first basic education subsidy payment in August. The losses were only offset by massive short-term borrowing. According to the survey, the districts took out \$130 million in new loans, costing millions more in interest payments. The Connellsville Area School district in Fayette County, for example, was forced to take out a \$2.25 million tax anticipation note and raid \$5 million from reserve funds to pay current operating costs.

Nine Pennsylvania school districts, including the Washington School District, say they will only be able to make it through the school year by taking money appropriated for different purposes, like transportation and Special Education. Others districts are simply not paying their bills and have put a freeze on payments to school vendors.

Governor Rendell's education secretary Vicki Phillips said it was impossible to know how many state school districts would be on "the financial edge" if the state did not make its October 23 payment. If this payment is not made, 501 Pennsylvania school districts will have been denied approximately one third of their annual basic education subsidy.

Many of the poor and rural school districts rely on the state for over 60 percent of their funding. The PSBA reports that 12 state school districts will run out of money by November 1, if the state subsidy is withheld again.

Other threatened districts are in the depressed steel and manufacturing areas. Schools in the steel-mill town of Clairton, near Pittsburgh, were taken over in the 1980s, the first time any school district had been taken over since the Great Depression. Nearby Duquesne, where US Steel closed its mill, laying off thousands in 1984, is also in peril. Duquesne, which receives 70 percent of its annual school budget from the state, along with the Yough school district, will run completely out of money by the end of this month.

The Jeanette City School district in Westmoreland County has reported that it might have to shut down its entire school system on November 1. Jeanette is one of the poorer school districts in the state, a working class center that also has been hit hard by the industrial closures, especially in the glass industry. Its school budget is \$13 million a year, and the state provides \$5 million of that total. The district has 1,457 students and has already postponed some bill payments. If the October state payment is withheld, Jeanette will have lost \$1.6 million. Superintendent Vincent Aiello concedes he may be forced to close all the Jeanette schools down in November.

As in dozens of other US states, the Pennsylvania budget impasse shows no sign of resolution. The inevitable result will be that an increasing number of vital social programs will be starved out of existence daily.



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