Pennsylvania Democratic Governor Tom Wolf proposes deeper cuts to pensions

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Democratic Governor Tom Wolf said in a Capitol news conference last week that he is willing to place newly hired state and school workers, earning over $75,000 a year, into a 401k-type plan and to lease the state-owned wine and liquor stores to private management, as part of a budget agreement with Republicans. The administration said its reforms would save billions over the long term.

"Today, I put on the table historic reforms on pensions and liquor ... two things that they [state Republicans lawmakers] say are very important to them." In return, Wolf is hoping to raise a tax on the Marcellus Shale drillers, while reducing property taxes. He still wants to enact his regressive income and sales taxes.

Pennsylvania has been without a state budget for nearly four months since the 2014-15 fiscal year ended June 30. The lack of a spending plan is having a devastating impact on human services and education. State funds for homeless shelters, food banks, domestic violence centers, health care, early childhood day care and education, as well as many programs for the elderly has not been paid.

Service agencies have had to cut back staff, reduce benefits and in some cases close altogether.

Pennsylvania's 500 school districts have also not received their state funds. After years of state budget cuts and underfunding, the vast majority are already underfunded and being forced to take drastic steps, including as in the case of the Chester-Upland School District, not paying teacher and other employees. Republicans lawmakers, who control both chambers of the General Assembly, are expected to try to pass a stopgap budget that would partially fund human services and education at a reduced level. This measure is more theatrics than anything else as Wolf has already stated he would veto the measure. Both Democrats and Republicans are seeking to shift the blame onto each other while both are responsible for the crisis and seek to place the burden onto the backs of workers in one form or another.

The WSWS has warned since Wolf ran for the governorship, that, contrary to his stated intentions and platitudes to save public pensions, he would enact sweeping cuts to them "Following the pattern set in Detroit and California—where bankruptcy judges approved cuts to constitutionally protected public sector pensions—Wolf is preparing the groundwork for pension reductions in the name of 'saving' promised benefits. During a press conference in December, Wolf said, 'Part of what we're doing now is making up for, I think, a failure to keep up with pension contributions back when we should have been making them.'"

Although the precise details of the new pension scheme were not elaborated it will impact newly hired workers at a specific date. All new employees earning more than $75,000 in annual income are mandated to enroll. For those making less, the pensions, as of now, will remain in place, but workers are given the option to enroll. Incentives may be suggested to entice workers to accept the 401k type plan.

Although Wolf's pension proposal affects employees in the upper pay brackets, this is the first step in eliminating *all* government-paid pensions for state and school employees. Wolf has repeatedly insisted he is open for negotiations, which would undoubtedly include even deeper cuts to pensions.

Other Pennsylvania Democratic politicians have called for the absolute elimination of pensions, particularly former-Governor Ed Rendell and the current Auditor General Eugene DePasquale. DePasquale has even issued a report demanding the

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immediate termination of municipal pensions.

While in office, then-Governor Ed Rendell starved the pension system of some hundreds of millions of dollars. Likewise, former-Governor Tom Corbett and the Wall Street financiers are directly responsible for inadequately funding or severely damaging the pensions system.

Regarding the state monopoly of the wine and liquor industry, Wolf proposes that the state will lease all the stores and workforce to a private firm through which all decisions and operational designs will be directed. Some grocery stores and restaurants will be allowed to sell wine and liquor. The private management firm will have authority to relocate stores and the overall number, and therefore workers' jobs and wages will be at the discretion of their new employer.

The unions have been eerily silent on the budget negotiations, working with Wolf behind closed doors and agreeing to his proposals to defend the union bureaucracy at the expense of rank-and-file workers. Of the few public statements that have been made, Wendell Young, the president of United Food and Commercial Workers Local 1776, representing many state store employees, said he was very supportive of the liquor privatization proposal and wanted to see more details. "If it is what was explained to me, I would be interested to see more details and see it in writing. Details matter."

The Republicans for their part have rebuffed Wolf's proposal, expressing their wishes to wholly eliminate pensions and the state stores as soon as possible instead of accomplishing it over time. Wolf, in return, expressed his anger, saying, "And what do I get in return? Nothing. I got nothing on [natural gas] severance tax. Nothing. I got nothing on education. Nothing. I got nothing on property tax relief. And I got nothing ... on how we are actually going to balance this budget."

Although Wolf is touting his purported increase in education funding, his budget actually still underfunds education significantly.

Wall Street is starting to force the governor and the Republican-controlled legislature to compromise, especially on the elimination of pensions. Janney Montgomery, managing director at Janney Montgomery Scott LLC in Philadelphia, quoted in Bloomberg, said, "Each week and each month where they don't have a budget, that concern will increase…They're playing a game of chicken." Pennsylvania is already paying more to borrow than any other state, excluding Illinois and New Jersey, states that have large pension debts.

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