Pennsylvania budget deal cuts pensions for future state and public school workers

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19 November 2015

Democrat Governor of Pennsylvania Tom Wolf announced last week that a "broad framework" of a budget deal had been brokered with the Republican-controlled Legislature that increases taxes on the working class, cuts pensions for newly hired workers and moves closer towards privatizing the state owned liquor stores.

Pennsylvania has been without a budget since July 1, more than five months, forcing deep cuts in social and human services throughout the state.

Wolf said in a news conference, "I am very, very pleased to say we have a broad framework for a budget deal, and our hope is — and this is ambitious — that we will actually have a budget finished by Thanksgiving."

The broad agreement focuses on taxes, the state monopoly of the wine and liquor stores and the state pension system. The sales tax will be increased from 6 percent to 7.25 percent, a regressive tax that primarily bludgeons the working class. Wolf had initially proposed a tax on the Shale drillers, but that was trashed in favor for an increase in the sales tax.

Contrary to the platform Wolf ran on--opposing any cuts of the pension system--an agreement has been made on public pension "reform" in which future state and school workers will have both a defined-benefit and defined contribution plan.

In essence, this will reduce the retirement benefits of future retirees, placing them in a state of penury when they retire. Moreover, whatever defined-benefits remain will continue to be whittled away at in the future.

The unions representing state workers and school employees have remained largely silent on the proposal, signaling their support for the measure which will attack future workers.

The full details of the plan have not been disclosed but are more than likely based on legislation Republican lawmakers have crafted previously. Workers will have to contribute to both a 401k-type plan and a defined-benefit plan. Once they reach a certain income threshold though, retirement money will only be allocated to the 401k-type plan.

Several months ago Wolf had proposed his own pension plan, calling for the elimination of pensions for workers making over $75,000 yearly. The new proposal, on the other hand, cuts pensions even further for future state and school workers. This is the second time Democratic Governors have assaulted pensions. Former Governor Ed Rendell drastically cut state payments into the pension fund in large part creating the current underfunding crisis.

Rendell has publicly stated his contempt for pensions: "I think in 10 years there will be nowhere in the United States where there will be defined benefits not in the private sector and very little in the public sector as well."

The destruction of pensions in Pennsylvania is part of a nation-wide strategy. This year the Obama administration, Wall Street and the Teamsters union colluded to slash pension benefits for over 400,000 workers, amounting to an average cut of 23 percent. For many, however, it will be a reduction of 50 percent.

Privatization of the state monopoly of the wine and liquor industry is on the table as well. Wolf had proposed a leasing of the industry to a private contractor who would dictate which stores would remain open and how many total workers will be needed to run the stores.

A recent report by the Keystone Research Center based on Wolf's former proposal to lease the industry, concluded that the state would lose money and that excessive alcohol intake will increase, along with the

repercussions (i.e. traffic accidents and deaths). The new proposal for privatization will be even more reactionary and demonstrates how far Wolf has moved to the right.

Wolf is touting the budget deal as a magnificent success with more money put into education. A spokesman for the Governor, Jeffrey Sheridan, said, he [Wolf] secured from Republican leaders a historic commitment in education funding. It would be the largest single increase in education funding in the history of Pennsylvania.Despite this, however, education in Pennsylvania will remain massively underfunded. (See: Pennsylvania budget underfunds education, cuts taxes for the wealth)

The budget impasse is having a negative impact the Pennsylvania economy and workers, according to an economic report by Pennsylvania Department of Labor & Industry. In September, the economy lost 16,400 nonfarm workers from payrolls. Most of the job losses were centered in government agencies and the health care sector.

Government agencies cut almost 12,000 workers in September, primarily due to the budget impasse, economists have said. The Keystone Research Center economist Mark Price said that with more uncertainty about the budget school districts will begin laying off more workers because they lack the funds to pay workers.

An economist at PNC Financial Services Group, Kurt Rankin, quoted in *Trib Total Media*, said, “It’s just torturous the pace at which Pennsylvania’s economy is moving forward.” Job gains were centered in the leisure and hospitality sector adding 8,000 jobs in September and almost 15,000 over the year. Most of these jobs pay poverty level wages and may not be year-round full-time employment.

Non-profits, relying on state funds to fulfill their budgets, have been borrowing, eliminating programs and cutting hours or laying off workers. The United Way of Pennsylvania issued a report that stated more than 1,200 workers have lost pay either from layoffs, furloughs, cutbacks or working without pay.