

Pennsylvania budget underfunds education, prepares attack on pensions

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Pennsylvania's Republican-controlled legislature and Democratic Governor Tom Wolf last week agreed to a budget deal for the 2015-2016 fiscal year ending a nine-month budget impasse, while pushing on to next year's budget an estimated \$2 billion deficit.

Wolf neither signed nor vetoed the \$30 billion bill that underfunds public education and other state services, allowing it to pass into law last Monday. The budget does away with Wolfe's campaign promises from the 2014 election and brings to an end the deadlock that had prevented the state from issuing funding for non-profit agencies and school districts, significantly exacerbating the social crisis in Pennsylvania.

However, it does so only by pushing the state's fiscal crisis back by one year. The deal delays increases in various forms of regressive taxation targeting the working class, the destruction of pensions for state and school employees, and the privatization of the state-owned wine and liquor stores until the 2016-2017 fiscal year.

The current budget increases basic education funding by \$376 million, significantly less than the \$1 billion Wolf had proposed in his 2015 budget address, and still less by \$200 million than the total amount allocated in 2010-2011. The deal also fails to make up "for the highly unequal cuts of 2011-2012, which fell the hardest on the school districts with the lowest-income students," according to the Pennsylvania Budget and Policy Center. Indeed, poorer and working class school districts receive a lot less education funding than rich school districts.

Public education is in advanced state of decay across the state. In the southeast, York City School District is set to become the largest school district to be turned over to a single for-profit entity in US history. York

Suburban School District over the past six years has laid off 23 teachers, even as enrollment and class sizes have increased. Almost one-third of York students live beneath the official poverty level. Among the student body, 16 different languages are spoken.

In the northwest, the Erie public school system was already approaching collapse prior to the budget deal, with bankruptcy imminent. Quoted in GoErie.com, Daria Devlin, the Erie School District's coordinator for grants and community relations, summed up the miserable financial situation Pennsylvania schools will still encounter indefinitely: "Ultimately, the end of the budget impasse does not mean the end of financial distress for Erie's public schools due to our chronic history of state underfunding and the lack of a fair funding formula in Pennsylvania."

During the impasse, schools such as Chambersburg Area School District in southcentral Pennsylvania had to borrow money and were about to shut down. Quoted in WITF, Steven Dart, the Chambersburg district finance director, said, "It's a big relief. Now that we are pretty certain we aren't going to have to borrow \$20 million or more (to keep the district's schools open past April), we can concentrate on other problems, such as the \$2.2 million deficit in our own budget."

Teachers in Chester-Upland School District had been working without pay to provide education to their pupils until the school received its appropriate funds from the state.

The budget purposefully underfunds pension obligations, setting the stage for the destruction of retirement income for hundreds of thousands of state workers. The two state pension plans, the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System, combined have unfunded liabilities of \$60.1 billion.

For fiscal year 2016-2017, Wolf is proposing to move PSERS off budget, disallowing the use of funds from the General Fund, while instead using a portion of the Personal Income Tax to provide funding. This will only exacerbate the debt problem, as tax revenue is down and this presumes a substantial increase in the income tax.

Credit rating agencies have criticized the budget deal, threatening the state with another debt downgrade. Moody's noted that the "approved budget relies on nearly \$1 billion of one-time measures to balance the budget, does not include a pension contribution at the fully actuarially required level and casts no light on the government's ability to reach compromise on its long-term fiscal challenges."

Standard & Poor's issued a similar statement: "Should the commonwealth continue to demonstrate weakened fiscal stewardship not commensurate with the current rating level into the next fiscal year, we would likely consider a downgrade."

Late last year, a budget agreement had been tentatively in the works, as Wolf agreed to a hybrid pension scheme and to a privatization plan for the state-owned wine and liquor stores, but it fell apart as Republicans obstinately refused to agree to Wolf's regressive taxation plan.

There is, in fact, a tacit choreography between Wolf and the Republicans. The budget impasse created a crisis that allowed Wolf to agree to the draconian Republican budget in the name of saving schools and non-profits that were on the verge of collapse. But the current budget only creates conditions for even deeper austerity in the coming years.



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