

# Pennsylvania budget deficit signals further attacks on teachers, state workers

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21 December 2016

As the end of the year approaches, the Pennsylvania state government's 2016/2017 budget is experiencing an almost unprecedented financial shortfall. The state is on track, according to a mid-fiscal year budget report, to have a \$600 million deficit. Aggravating the state's fiscal problems is the lingering structural deficit of \$1.7 billion.

State Budget Secretary Randy Albright, quoted by WITF News, gravely remarked that the budget gap is "significant, I think, or more significant than any previous administration has faced; at least during my 30-plus years of state service."

Lower tax revenue, predominantly from sales-based income such as cigarette and alcohol taxes and higher social service caseloads contributed to the deficit, along with the one-time revenue fixers such as casino licenses. If recent internet gaming legislation and a second Philadelphia casino license, for example, remain unfinished, the deficit will increase by \$150 million.

In the long term, the Independent Fiscal Office is predicting a rapidly burgeoning debt problem for the state government, citing intractable pension obligations, higher human services costs, and Medicaid expansion costs. By 2021, the state will be afflicted with a \$3 billion yearly budget deficit.

In response, Albright said that Democratic governor Tom Wolf will attack the state government employees first: "What we intend to do is work very surgically. So we are working with every cabinet agency to make hard decisions assessing the way that they deliver services and where things can be done."

Wolf announced this month that he is eliminating thousands of vacant state jobs. The decision was done so rashly, that Wolf's press secretary, Jeff Sheridan, did not even have data on how much money would be saved by slashing these vacant jobs. The other 73,000

filled state positions are on the "surgeon's" table as well.

Harsher methods are, of course, in the works behind the curtains. State House Majority Leader Dave Reed, a Republican, said that almost everything will be on the table for cuts, particularly referencing social services and other programs and agencies that provide some assistance to the most impoverished.

"Government has basically looked the same in Pennsylvania for the last 40, 50 years," Reed stated. "Absent a restructuring of government, you're going to look at huge personal income tax or sales tax increases, and there just isn't support for that in the General Assembly."

Earlier this year, Republicans unsuccessfully tried to cut pensions for state and school employees. The entitled "Three-Way Hybrid Pension Plan" would have reduced retirement benefits and placed newly hired workers into a defined-contribution plan or a mixture of that and a standard defined-benefit plan. Wolf, for his part, has openly expressed support in changing benefits and had been anxiously awaiting a final product. The state's total pension debt is around \$60 billion.

The economy in Pennsylvania is idling. The November jobs report asserted that hiring is stagnating while the state unemployment rate is trailing the national average by a full percentage point, 5.7 to 4.6, the largest gap between the two since at least 1985.

The desperation facing workers throughout the Keystone state was revealed when the state, by a slim margin, voted in favor for Donald Trump. Counties that had gone for Obama in 2012, such as Erie and Luzerne, for instance, favored the demagogue Trump this time.

Income inequality is soaring in the state. New data from the Keystone Research Center claims that "the average income of the top 1% of Pennsylvania taxpayer

rose 9% from 2013 to 2014,” increasing immensely, 19 percent, from their 2009 levels. The average income in 2014 for this group was \$1,175,600.

A related report by the Center on Budget and Policy Priorities analyzed Pennsylvania income data, revealing that “the richest 5% of households have average incomes more than 13 times as large as the bottom 20% of households and just over 8 times as large as the middle 20% of households.”

The upcoming 2017-2018 budget will unquestionably contain significant cuts. Republicans have mulled the idea of formulating their own budget, upsetting the long-established tradition of the Governor’s budget acting as the starting point, presaging another budget battle. For all the public bickering between the two parties, both the Republicans and Democrats have supported cutting funding for education and social services, while lowering spending and corporate tax rates.

According to the Pennsylvania Budget & and Policy Center and the Keystone Research Center, state spending, as a percentage of the state’s GDP, has fallen from an average of 4.71 percent in 1994 to about 4.33 percent now. Revenue has slumped over the same time frame from 4.89 percent of GDP to 4.44 percent.



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