

Pennsylvania Governor Tom Wolf proposes austerity budget

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Pennsylvania Governor Tom Wolf, a Democrat, announced an austerity budget last week for 2017-2018 aimed at eliminating a structural deficit estimated at \$3 billion. The \$32.3 billion budget contains \$2 billion in spending cuts and \$1 billion in additional revenue.

In a 22-minute public address, Wolf declared, “Our commonwealth has been operating with a structural deficit for a long time. That means Harrisburg has been living beyond its means. Households can’t do that, and neither can we.” A couple of days after his budget address at a gathering of state Democrats he said his budget promised “a different way to move forward, a new way for PA.” In other words - harsh austerity.

The budget proposal will act as the point of departure for Wolf to begin negotiations with the Republican-controlled state legislature, which will undoubtedly insist on even deeper cuts.

For education at both the K-12 level and college level Wolf is offering a paltry \$100 million in new basic education funding and \$75 million in new early childhood funds. Meanwhile, he has slashed \$50 million in pupil transportation. Lawrence Feinberg, a school board member in Haverford Township, quoted in Philly.com, said “the governor giveth, and the governor taketh away.” He continued, “Without significant, sustained increases in funding, it will be years and years before kids in underfunded districts have the resources they need - and that the new state formula acknowledges are required - for an adequate education.”

Pennsylvania schools already confront a ruinous funding crisis from years of state underfunding both education and pension costs. Seventy-five percent of school districts received less state money in the 2016-17 budget year than they did in 2009, and most of this gap will remain in the current budget. Philadelphia

schools receive roughly \$800 per student less than they did seven years ago.

Both Democrats and Republicans have promoted the spread of charter schools, which siphon money out of the public school system.

The 14 state universities had submitted a request for about \$60 million in additional funding. The governor did not oblige, however, increasing funding by a mere \$9 million. This will have the effect of forcing state universities to raise tuition and impose budget cuts of their own. The state system is already underwater financially and is undergoing a review process that might result in the merger of schools or permanent closure of some.

Penn State, Temple, Pittsburgh and Lincoln universities as well as community colleges will have their funding frozen. State funding in the amount of some \$31 million for the University of Pennsylvania’s veterinary school will be terminated.

The governor said he might consolidate four state agencies into the Department of Health and Human Services saving \$91 million in the process. Wolf was rather reticent in declaring where the savings will come from, but undoubtedly state workers will face furloughs and layoffs. Those who depend on state services will see some delayed or eliminated completely.

In December the Wolf administration laid off about 600 workers at the state’s unemployment centers and issued a diktat postponing the hiring of all state workers, leaving thousands of positions unfilled. At the beginning of the year Wolf closed multiple state prisons, halfway houses, and mental health facilities. His new budget cuts Inmate Education and Training by over 11 percent.

Pensions, at both the state and municipal levels, have been deliberately underfunded as a first step to their

total elimination. Wolf did not allocate any additional money for pensions and has previously indicated support for placing all newly hired state workers into a 401k-type retirement scheme. Wolf's budget provides only \$2.3 billion for the teachers' retirement fund, leaving it underfunded.

The Lancaster County House GOP delegation issued a public response, saying, "the biggest cost driver to state government is the state's two public pensions systems. The Republicans have long sought to completely eliminate pensions for both state workers and teachers.

"Whether pension reform is part of the budget, or we get an agreement during negotiations to move it separately, at more than \$61 billion in unfunded liabilities, Pennsylvania's pension crisis must be addressed. While the plan laid out today moves government spending in the right direction, we believe if pensions are not part of the discussions, we may miss a real opportunity for reform on this crucial issue."

Other cuts contained in the budget include the Department of Conservation and Natural Resources, with its budget being slashed by 49.7 percent. Most of these cuts target state parks and state forests, reducing funding by 72.6 percent and 71.5 percent, respectively.

Assistance to counties will be reduced by over \$40 million, or about 10 percent. Support for public libraries will remain flat and Cultural and Historical Support along with Grants to the Arts are being completely eliminated. Community and Economic Development will also see an eight percent reduction.

The Department of Labor and Industry will be reduced by 11 percent, most of which will come from a massive 53 percent drop in funding of the Occupational and Industrial Safety division.

Wolf is also proposing to lower corporate taxes a full percentage point to 8.99 percent and enact a severance tax on natural gas drillers in the Marcellus Shale region, with the latter measure having no chance of passing. Likewise, a raise in the state minimum wage is highly unlikely given Republican opposition, even if packaged with a lowering of the corporate tax rate.

Republicans generally praised the budget proposal. Republican House speaker Mike Turzai, in a public response, said Wolf is taking "a more pragmatic approach to governing" and that he "certainly took a few pages from our playbook."

Left unstated is the impact of the possible elimination of the Affordable Care Act by the US Congress. In Pennsylvania that would end health care coverage for over 1.1 million people and add over \$1.4 billion to the state's budget deficit.



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