

Testimony before the House of Representatives Democratic Policy Committee
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Michael Wood, Research Director, Pennsylvania Budget and Policy Center

Thank you, Representative Sturla, for the change to speak to you and the Democratic Policy Committee about the impact that the newly enacted 2011-12 budget will have on the citizens of Pennsylvania. I can't say that I foresee a pretty picture.

The Governor and lawmakers faced a formidable goal and a formidable challenge in 2011. The goal? To maintain Pennsylvania's relatively strong job growth coming out of the recession and keep the economy humming. The commonwealth added 44,300 jobs from May 2010 to May 2011, ranking fifth in number and 18th in percentage terms nationally.¹ Could we keep the momentum going?

The challenge? To manage the loss of federal funds that helped Pennsylvania to avoid the worst cuts in education and health care, and to preserve thousands of jobs through the darkest days of the recession with spending on transportation, infrastructure and clean energy.

In March, the Pennsylvania Budget and Policy Center and PennFuture jointly crafted a set of principles to reflect these circumstances and to serve as a benchmark when the final budget agreement was ratified.

First, a good state budget should create jobs today and ensure our long-term economic success. It should improve the efficiency and transparency of government and maintain expenditures that produce long-term savings. It should avoid shifting costs from the state to local taxpayers.

So how did lawmakers and our governor do? Unfortunately, not well. The budget prioritizes spending reductions to meet an arbitrary spending figure regardless of consequences — a priority that few Pennsylvanians share. To accomplish this, the budget cuts the number of teachers in the classroom, raises college tuition for middle class families, and forces increases in local property taxes in many places. It leaves most of a \$785 million revenue surplus from last fiscal year untouched and frees natural gas drillers once more from paying a tax in Pennsylvania that they pay everywhere else. Let me briefly address each principle and how the budget measured up.

Job creation: With nearly \$900 million in cuts to education, school districts are likely to cut thousands of jobs. We are already seeing this across the state as school budgets are enacted. Here in the midstate, Harrisburg Public Schools are eliminating 214 positions, 153 of them being teachers. York City schools are eliminating 140 positions in the coming year, while Lancaster is losing 78 positions. This isn't limited to just the poorer, urban districts. Even suburban schools like Dallastown, Middletown, and Elizabethtown are cutting staff.

Cuts to job training programs, nutrition services, adult literacy and child care will lead to additional layoffs. Job cuts are nothing to celebrate: They have ripple effects throughout the economy that slow the economic recovery.

¹ Mark Price, *May Jobs Report Weak Growth Cause for Concern; Jobs Deficit Persists*, Keystone Research Center, June 20, 2011, <http://keystoneresearch.org/publications/research/may-jobs-report-weak-growth-cause-concern-jobs-deficit-persists>.

Improving efficiency and transparency: The budget takes a step backward on transparency. It relies on gimmicks that shuffle funds between bank accounts and fiscal years, which conceals actual spending and hides the revenue surplus. It also gives unprecedented authority to the secretary of public welfare to sidestep existing rulemaking processes to impose sweeping changes in services for vulnerable Pennsylvanians.

Ensuring long-term success: Pennsylvania's future depends on a skilled workforce, innovation and sound infrastructure. This budget invests less in all of these things. In education, student test scores have gone up, but deep cuts, larger class sizes, and fewer choices threaten that progress. Reduced funding for universities, meanwhile, will hamper innovation and put college out of reach for more students.

Preventing a tax shift: Pennsylvania has a history of shifting education costs onto local taxpayers and this budget continues that tradition. School districts and counties will be under enormous pressure to increase taxes to make up for lost state funding for schools, child abuse protection and other social services.

Investments that produce long-term savings: Early childhood programs and full-day kindergarten are cut in this budget, despite research showing that such investments pay long-term dividends through savings in education and prison costs.

While the budget cuts funding for a variety of services, lawmakers missed several opportunities to cut actual costs and save money. No efforts were made to slow growth in the state prison population and nursing home utilization, two of the highest-priced items in the budget.

Pennsylvania's economy is slowly improving, but we have not fully recovered from the recession. The budget decisions made by our governor and lawmakers could have helped to stabilize the economy to make a successful transition from recession to recovery. Instead, these choices could very well make things worse.

We don't have to look far to see what this budget could bring. Neighboring New Jersey made deep cuts in aid to schools and municipalities in their 2010-11 budget. This triggered the loss of thousands of jobs across the state. A recent analysis from the Keystone Research Center found that from May 2010 to May 2011, New Jersey's economy lost almost 20,000 jobs, one of the worst performing states in the nation. This is not a blueprint for success, but one we seem to be following anyway.

In the coming months, the full impact of these cuts will be felt in schools and communities across the commonwealth. Then it will be up to the people of Pennsylvania to take out their red pens to grade the choices made in this budget and the priorities that guided them.