

The Road to Prosperity?

The 2012-13 State Budget

Michael Wood, Research Director
Pennsylvania Budget and Policy Center
EPLC Policy Breakfast - Harrisburg

February 29, 2012

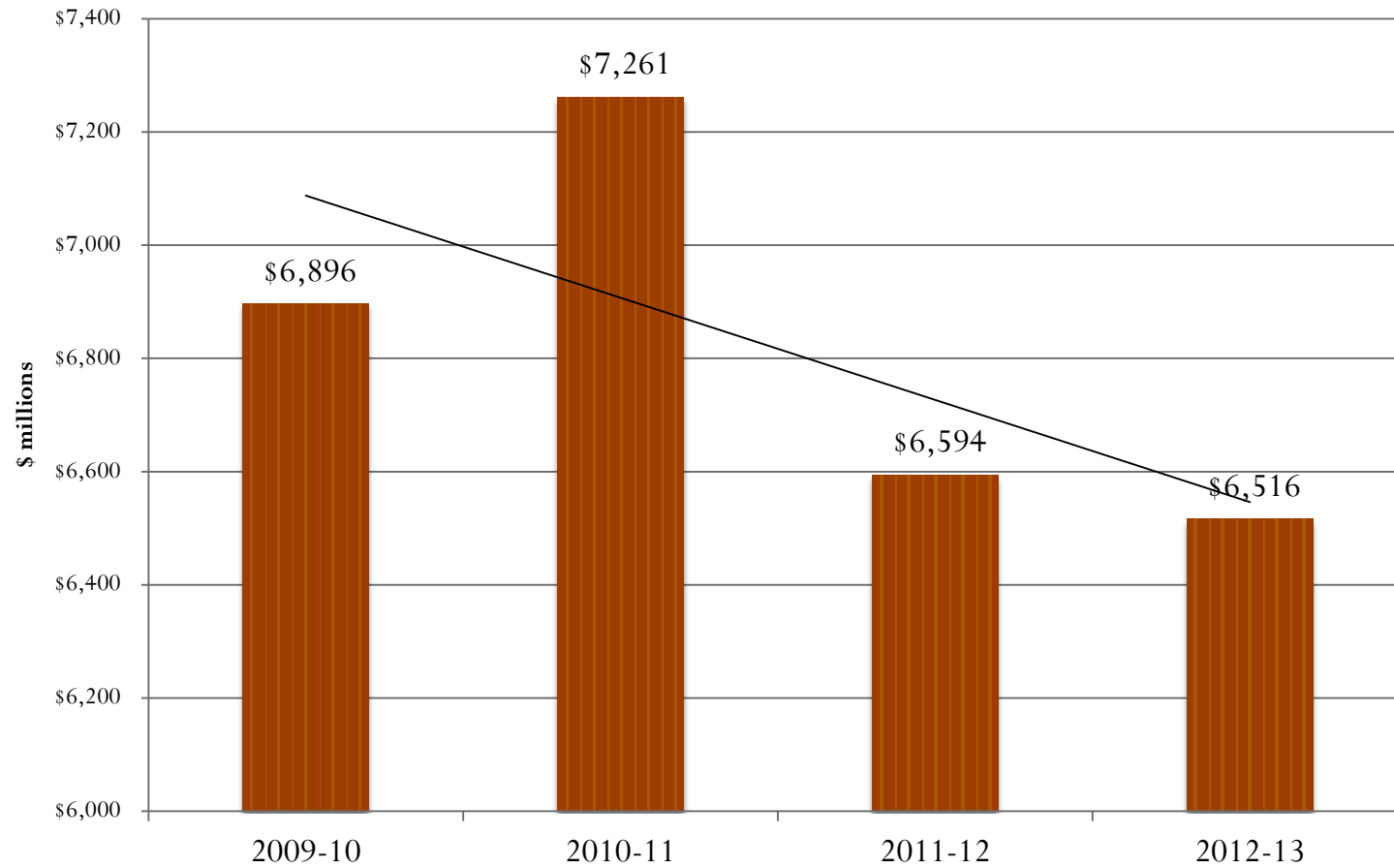


Who We Are

- The Pennsylvania Budget and Policy Center (PBPC) is a statewide, non-partisan policy research project.
- PBPC provides budget and fiscal analysis and public education in support of policies that improve the economic and social well-being of low and middle income Pennsylvanians.
- www.pennbpc.org

Governor Corbett Yr. One Budget

Education Gains Wiped Out in 2011-12



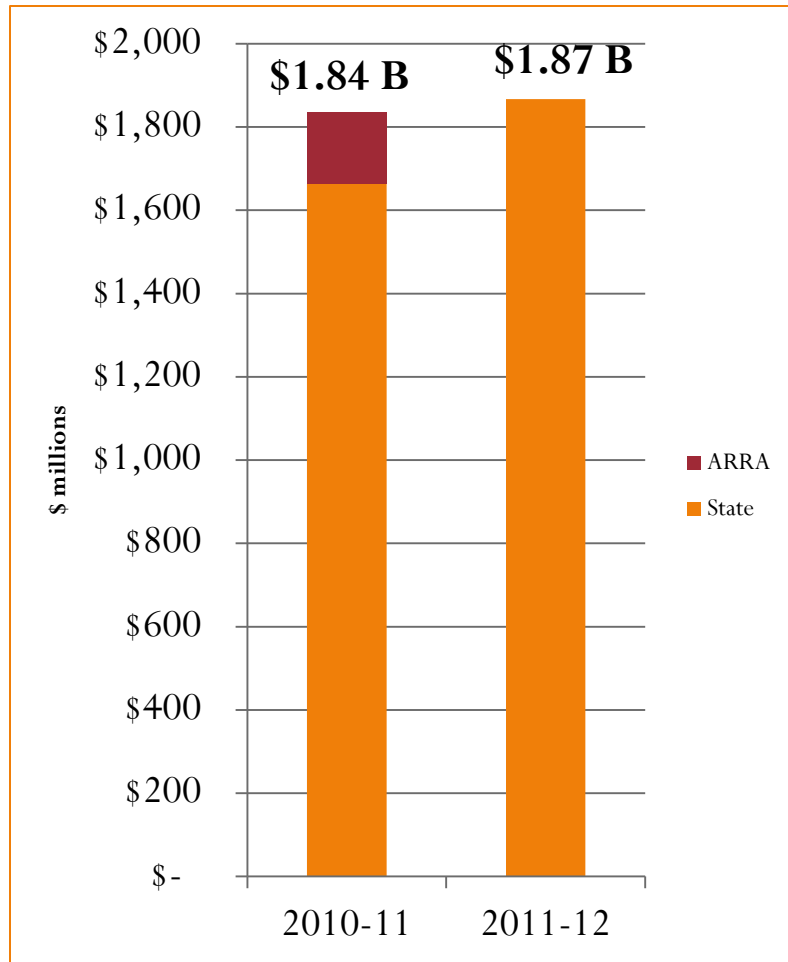
2011-12 Cuts in Education Funding Hit Poorer Districts Harder

| Cuts per Student | Number of Districts | Percent of Students in Poverty |
|------------------|---------------------|--------------------------------|
| Over \$700 | 29 districts | 58.97% |
| \$500 to \$700 | 130 districts | 46.99% |
| \$300 to \$500 | 187 districts | 34.87% |
| \$150 to \$300 | 103 districts | 22.82% |
| Under \$150 | 51 districts | 11.78% |

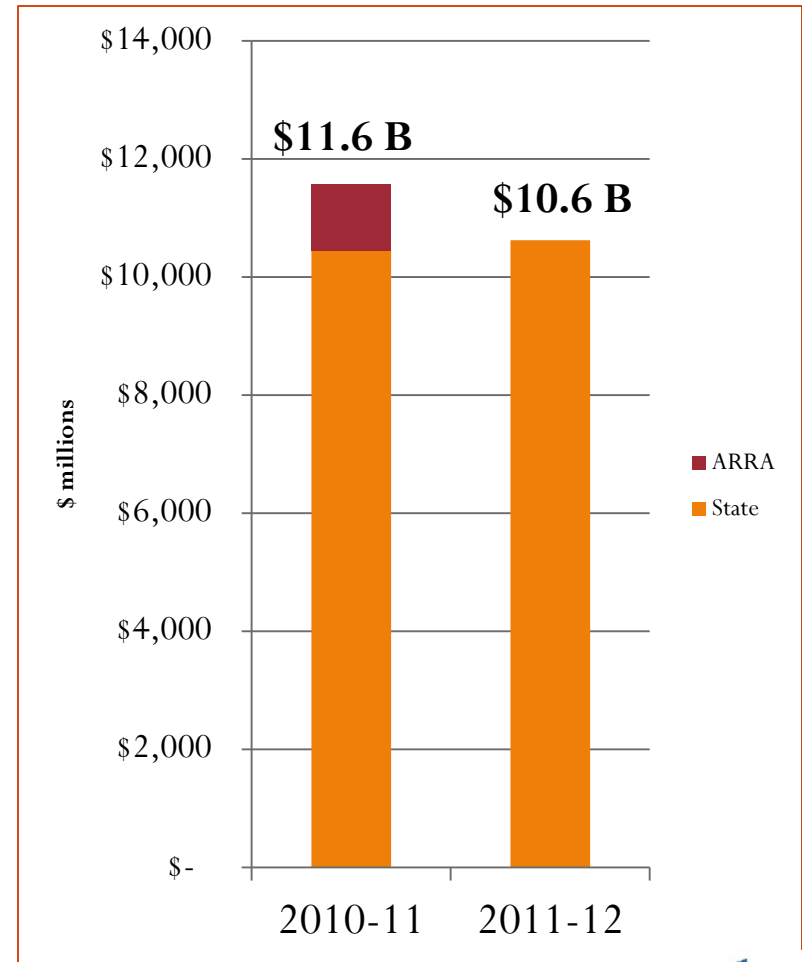
Source. Education Law Center (www.elc-pa.org)

Note: Cuts include reductions in Basic Education, Accountability Block Grants, Reimbursement for Charter Schools, and Education Assistance Program from 2010-11.

ARRA DOLLARS RESTORED FOR PRISONS: NOT FOR SCHOOLS

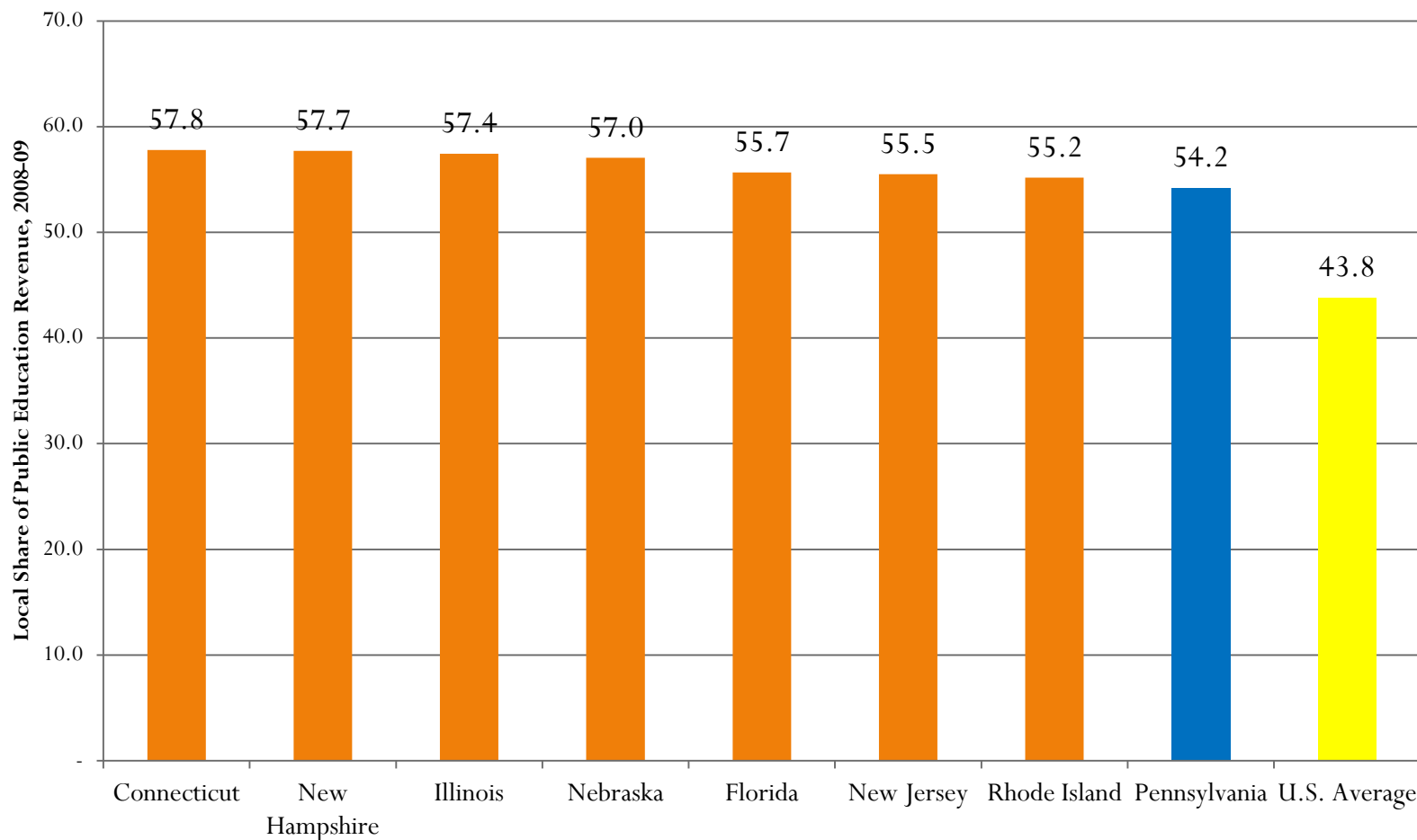


DOC-Prisons



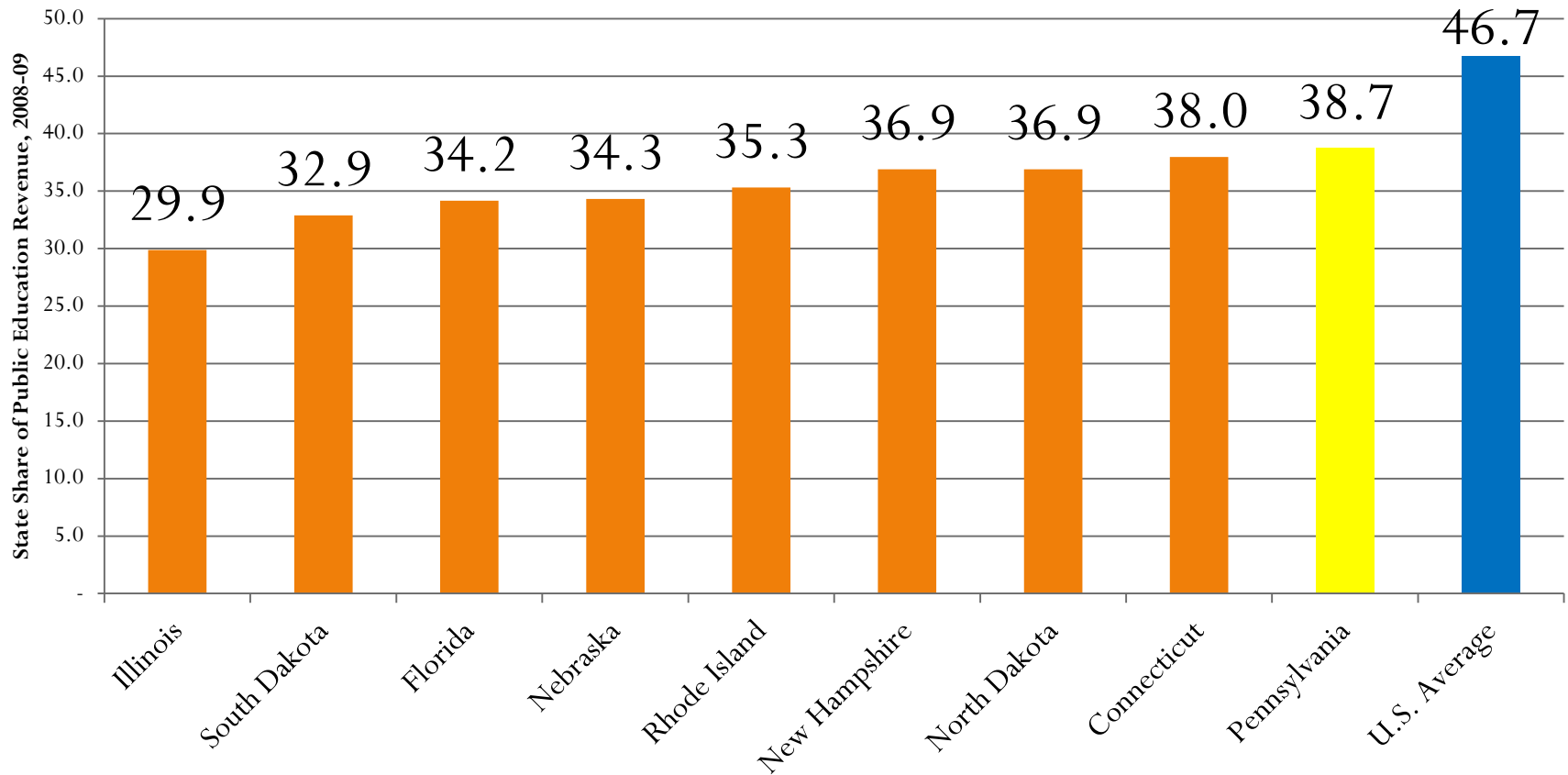
Education

PA Has 8th Highest Reliance on Local Funds for Schools



Source. U.S. Census, Public Education Finances Report

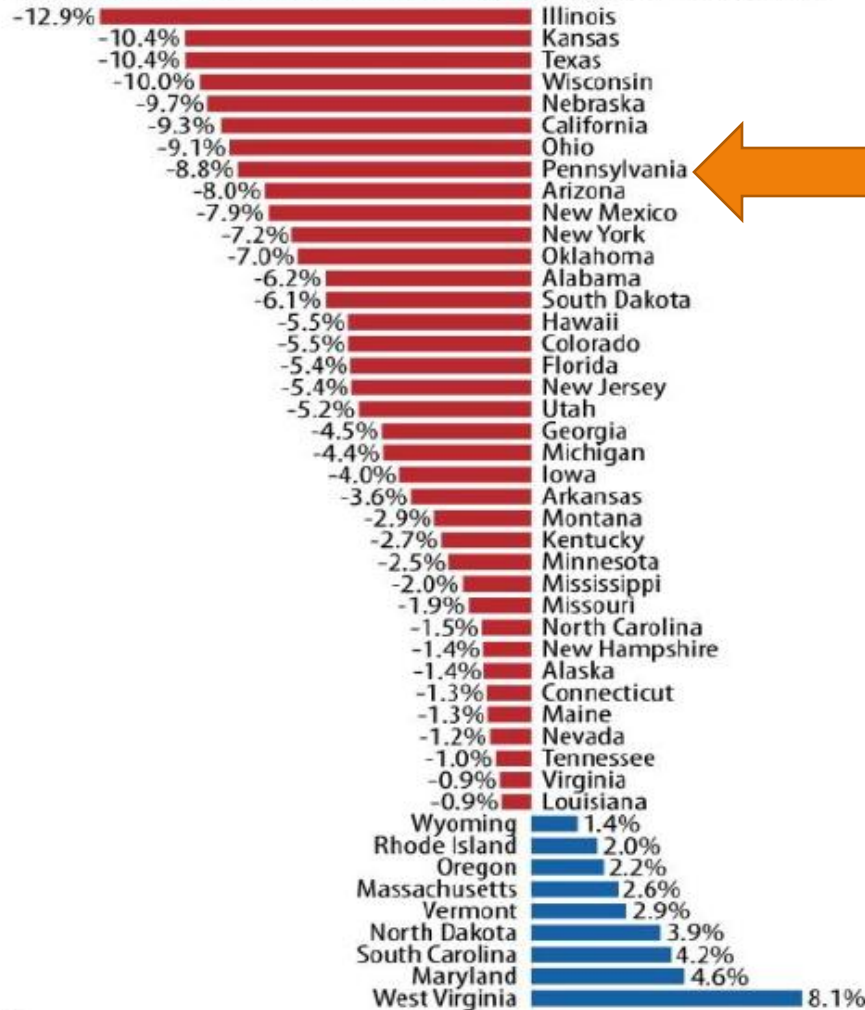
PA Ranks 42nd in State Funding for Schools



Source. U.S. Census, Public Education Finances Report

Most States Have Cut School Funding This Year

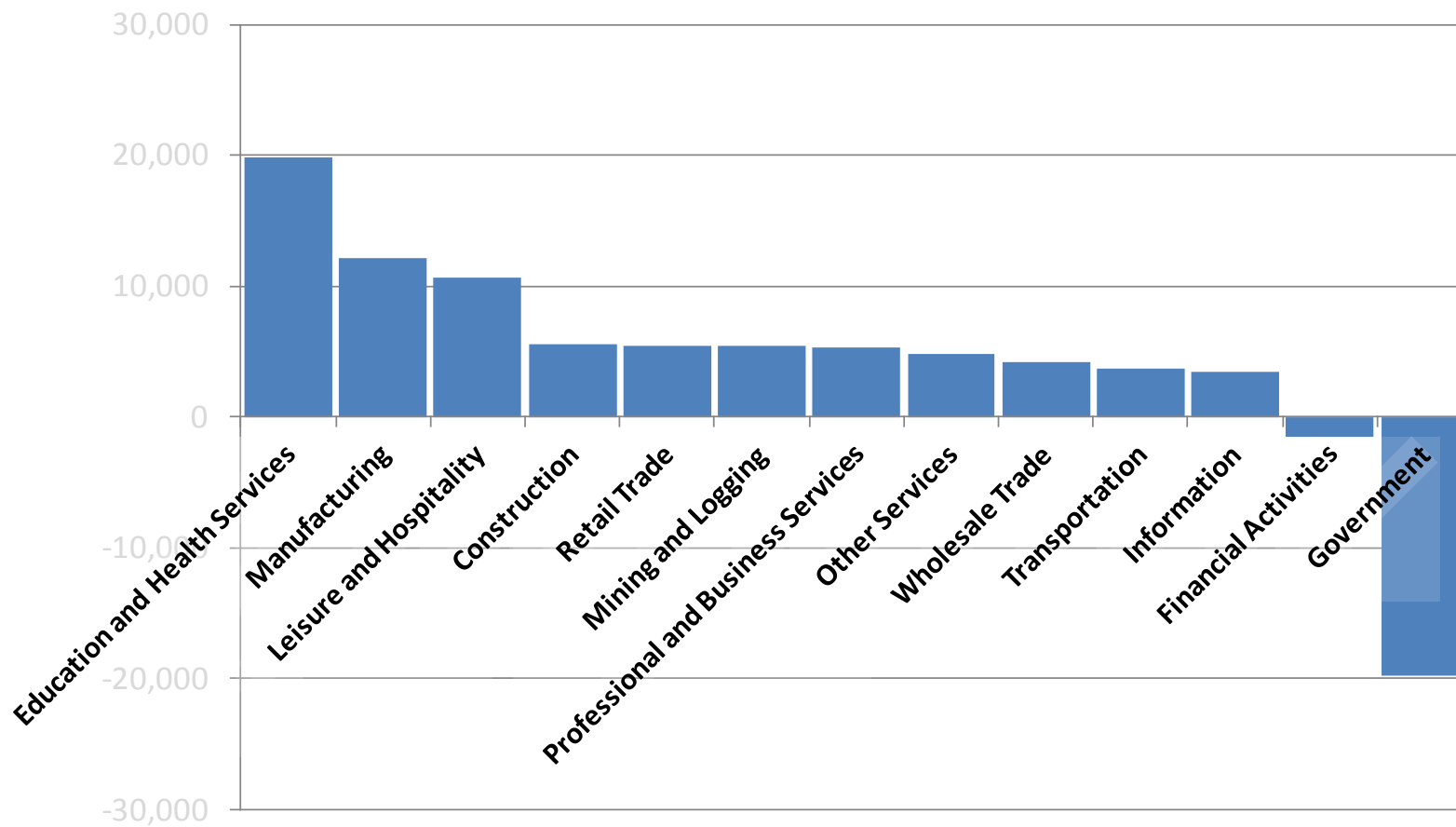
Percent change in spending per student, inflation-adjusted, FY11 to FY12



**PA 8th
Largest Cuts
-8.8%**

Sources: CBPP budget analysis and National Center for Education Statistics enrollment estimates.

Job Losses Among Teachers, First Responders and Other Public Sector Workers Was A Key Reason Why Job Growth in 2011 Slowed



Source: Center for Workforce Information and Analysis

SHOW ME THE MONEY

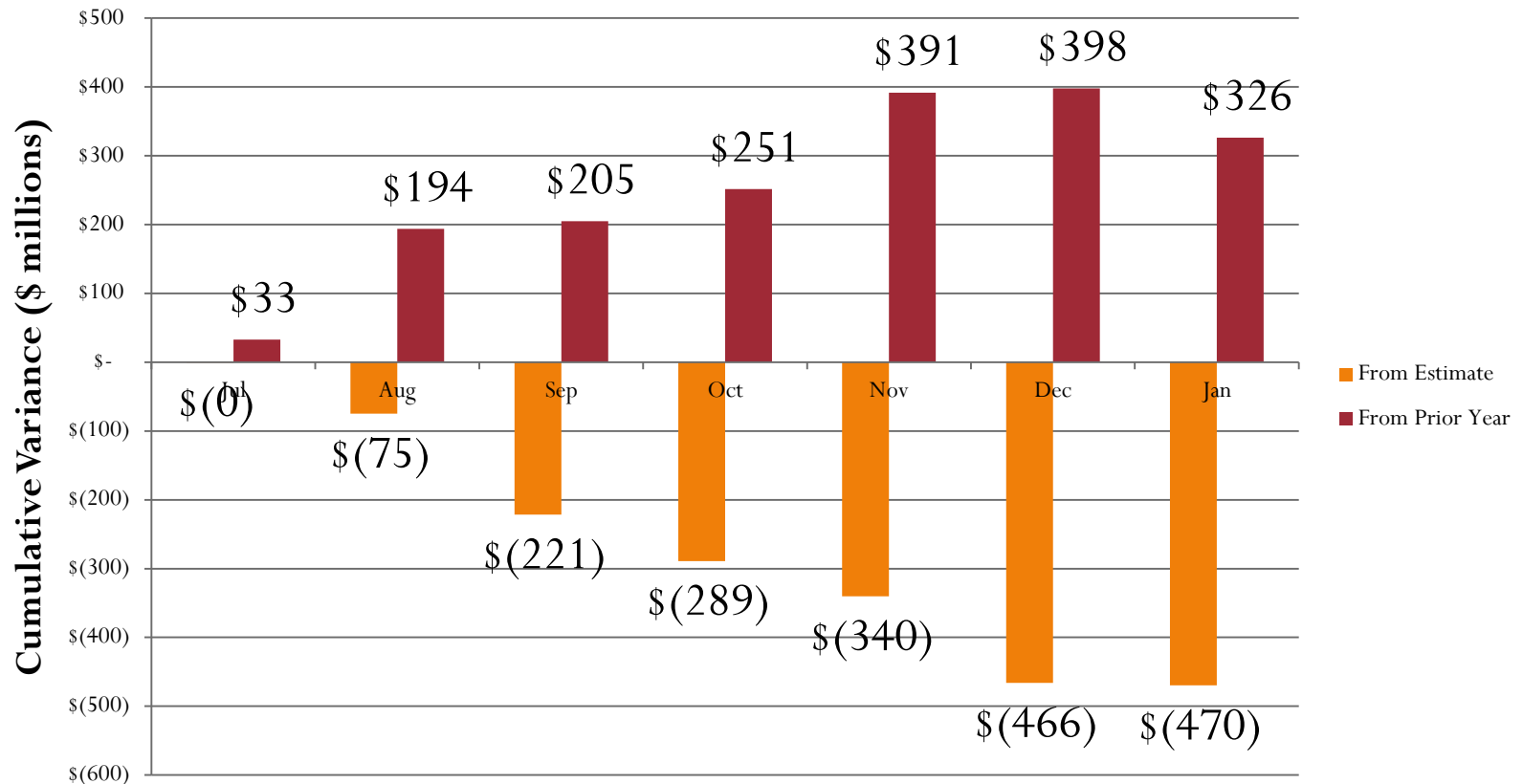
The revenue picture



\$1.1 Billion Year End Balance

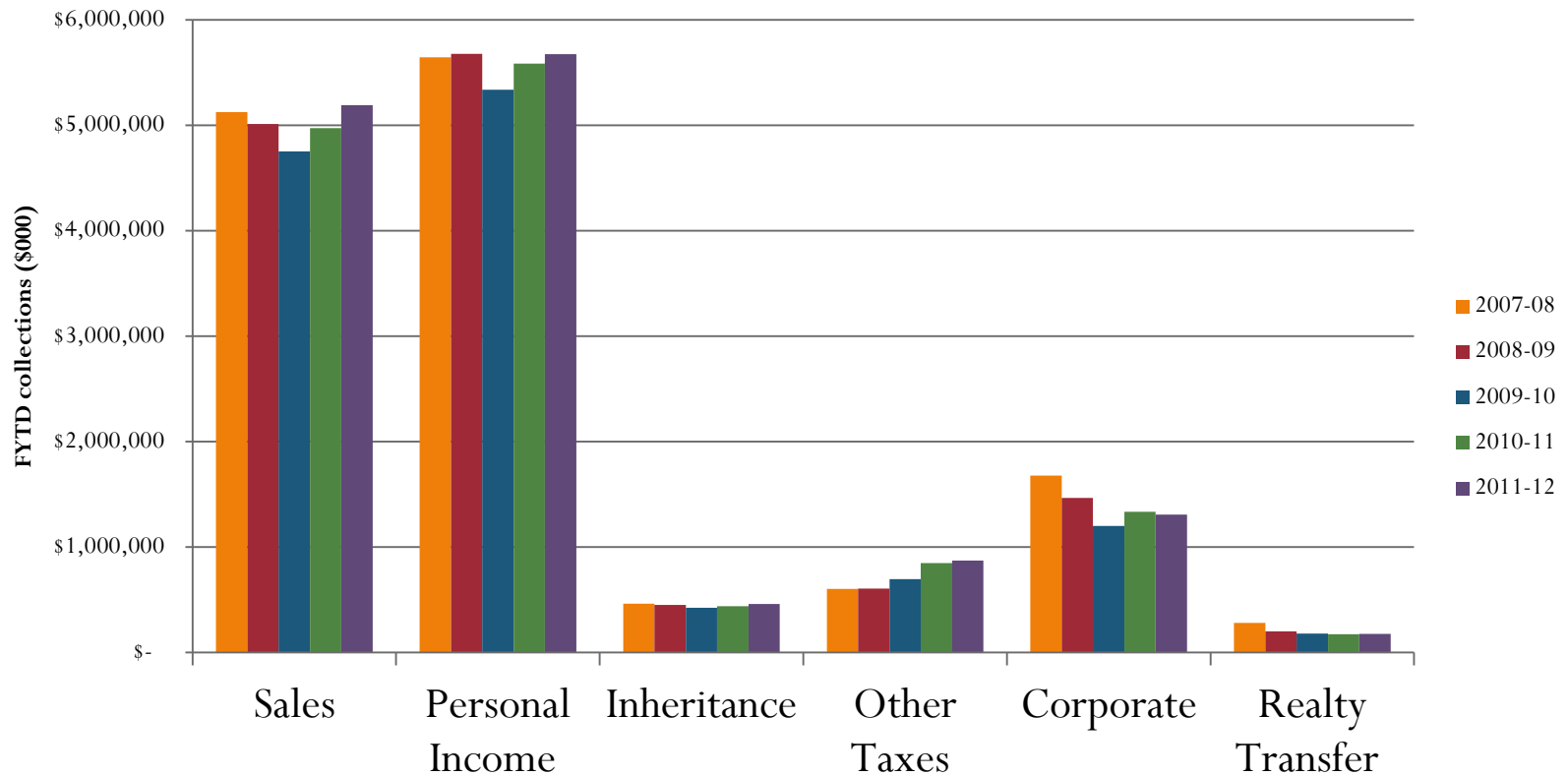
Taxes Growing, but Still Short of Estimates for 2011-12

Fiscal Year to Date Tax Collections Trail Revenue Targets, Still Growing Over Prior Year

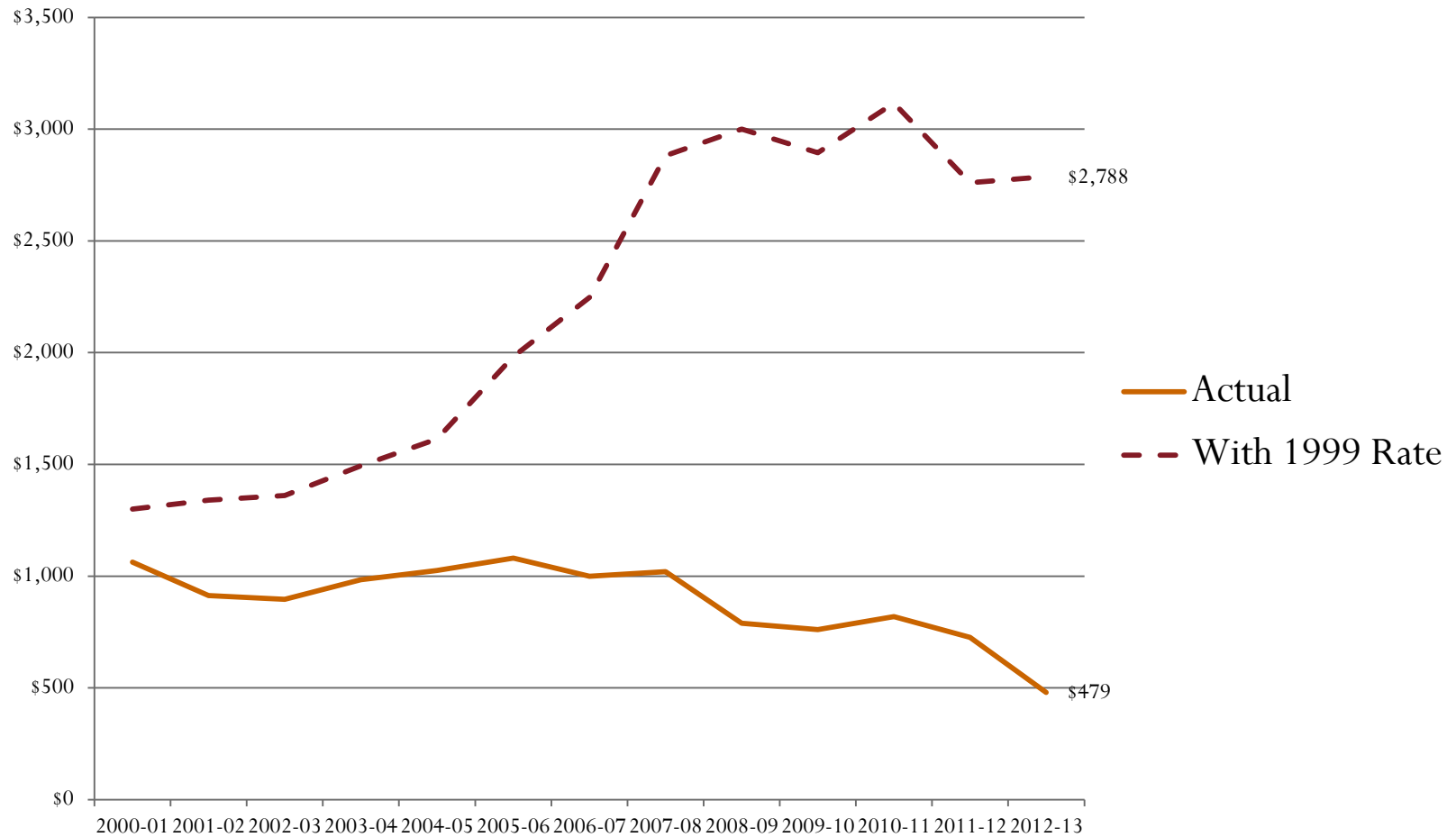


Most Taxes Have Recovered – Except Corporate

As of January 2012, Only Corporate and Realty Transfer Taxes Significantly Lag Behind Pre-Recession Levels



Long-Term CSF Phase Out Reducing Revenue by \$2 Billion in 2012-13



PROPOSED BUDGET

GENERAL FUND SUMMARY

| | Actual 2010-11 | 2011-12 Avail (2-12) | 2012-13 Proposed | Change from 2011-12 Avail | Percent Change | Change from 2010-11 Actual | Percent Change |
|------------------------|-------------------|----------------------------|---------------------|------------------------------------|-------------------|-------------------------------------|-------------------|
| Total State | \$28.2 B | \$27.3 B | \$27.1 B | (\$122.M) | -0.4% | (\$1.1 B) | -3.8% |

Governor's Priorities

- Corrections level funded
- Job Training linked to Employers
- Lower Spending
- No New Taxes

- NEW REVENUE: \$242 Million
 - Sales Tax Vendor Discount
 - Tax Enforcement
 - 4.7% Growth \$1.7 billion

Governor's Budget: KEY THEMES

- ELIMINATE BENEFITS FOR TENS OF THOUSANDS
- 20% CUTS TO HIGHER EDUCATION
- BLOCK GRANTS IN EDUCATION AND DPW
 - COMBINE AND CUT
 - FLEXIBILITY FOR LESS MONEY

Human Services Development Fund Block Grant

Portions of programs transferred to HSDF block grant:

| | |
|-------------------------------|---------------------|
| Medical Assistance Outpatient | \$ (14,727) |
| Behavioral Health Services | (47,908) |
| Mental health services | (550,469) |
| ID Community Base | (144,974) |
| County Child Welfare | (48,533) |
| HSDF | (14,956) |
| Homeless Assistance | (20,551) |
| Total | \$ (842,118) |

**Funding for Human Services Development Fund Block
Grant**

\$673,695

Net Funding Reduction

\$ (168,423) -20%

Student Achievement Education Block Grant

- COMBINED

- Basic Education

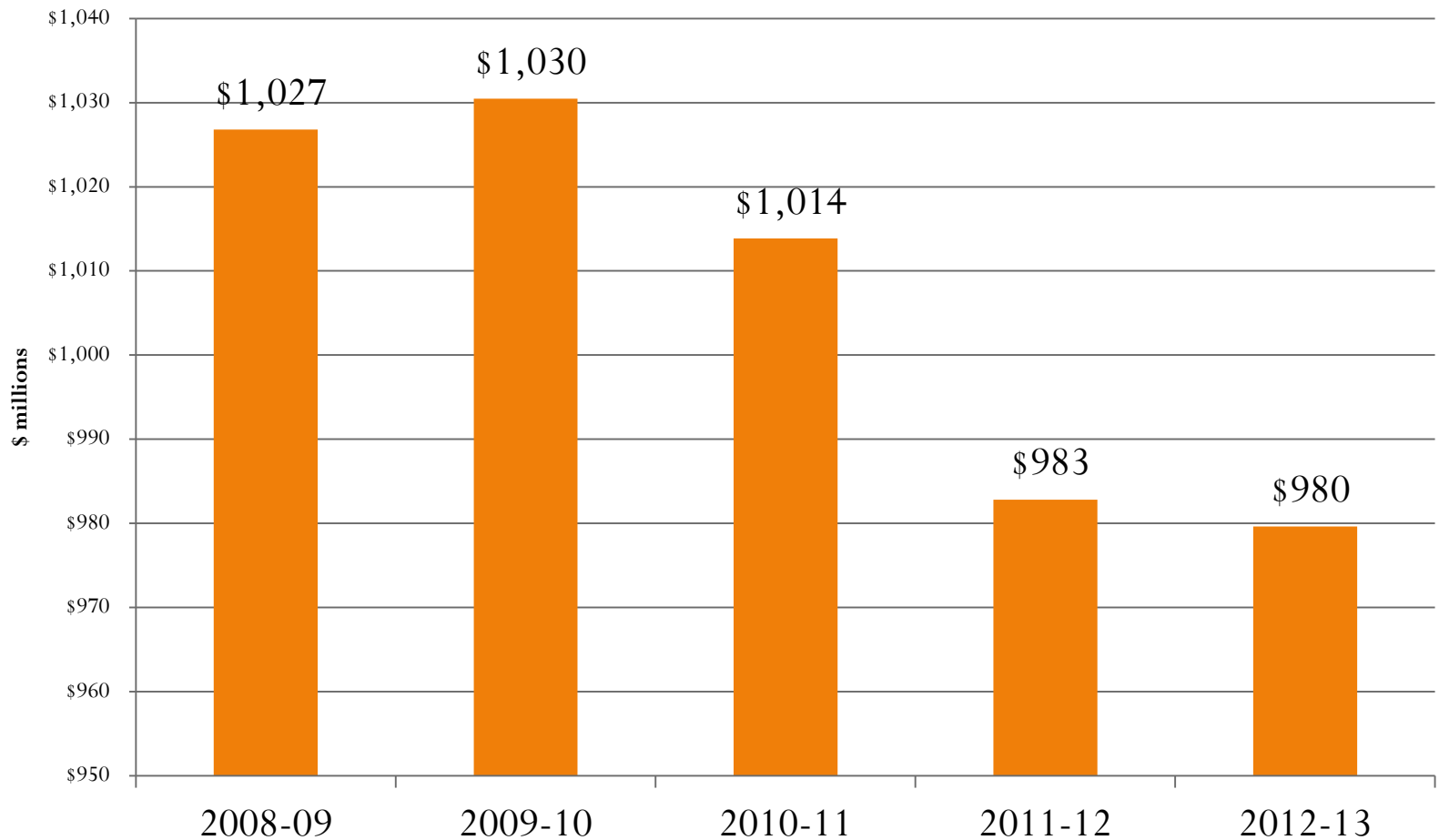
- Student Transportation

- School Employees' Social Security

- ELIMINATED

- Accountability Block Grants

Special Education Funding Reduced 4.6% Since 2008-09 in Real Dollars

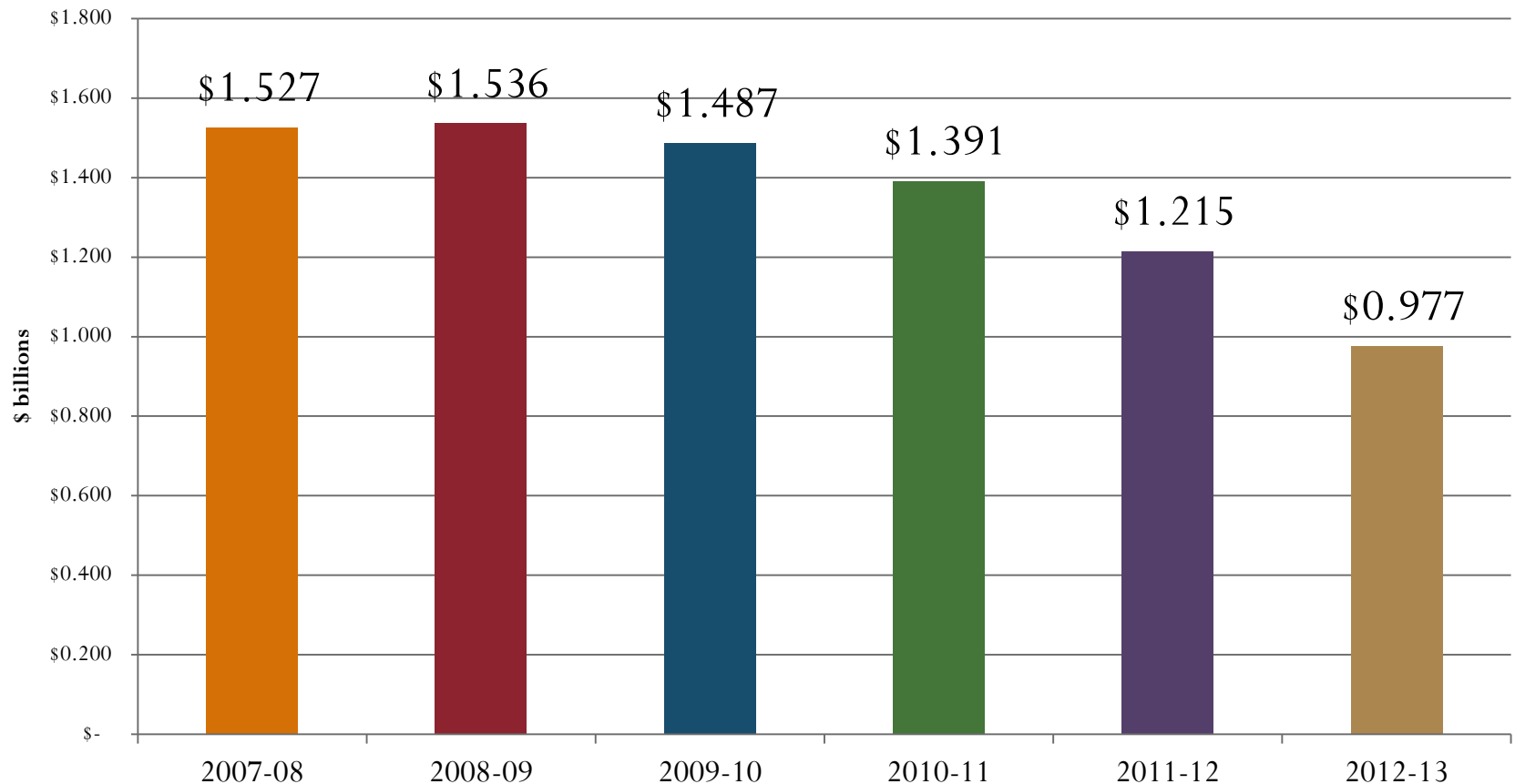


Education and Children's Programs

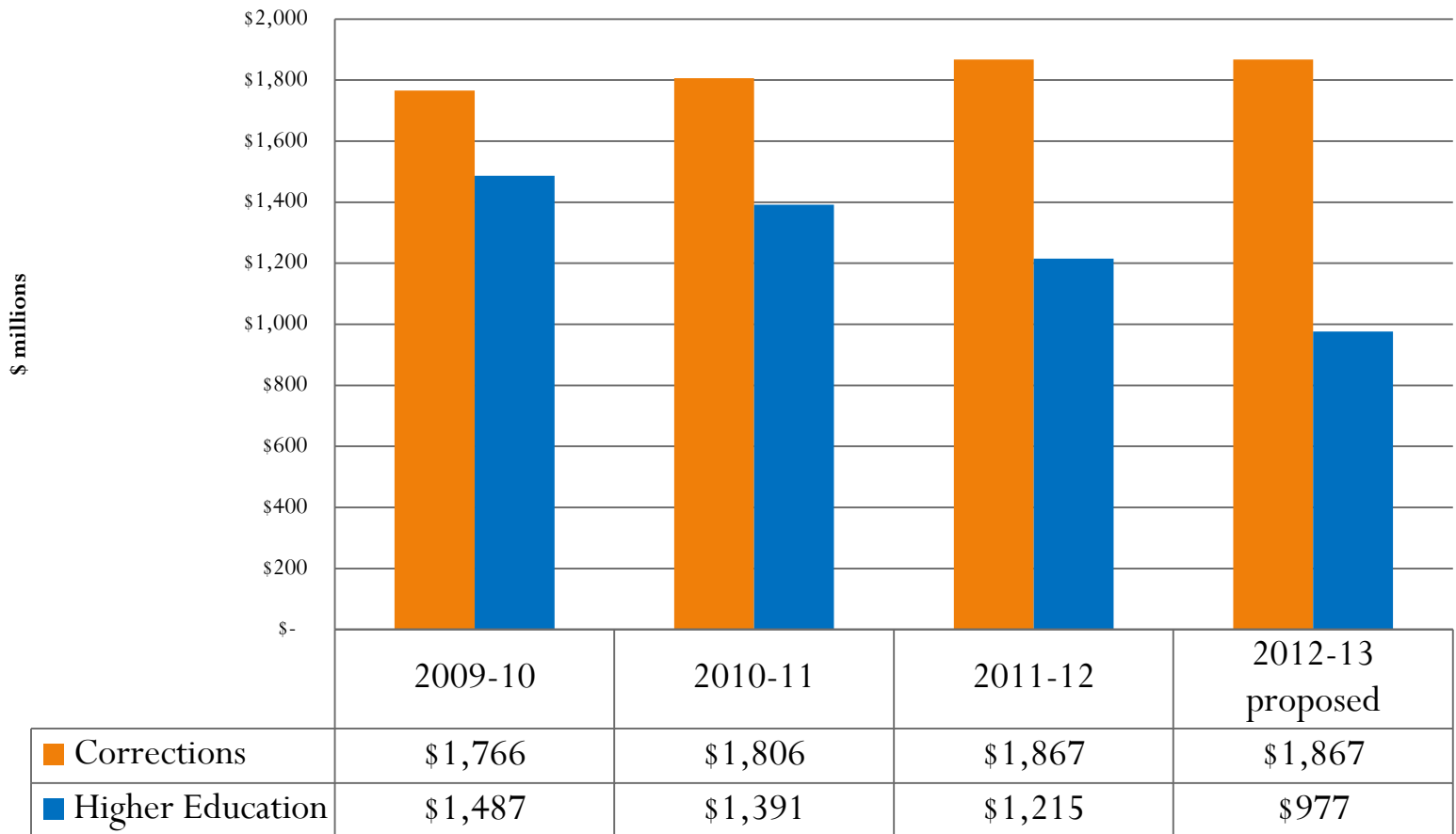
- Pre-K counts-5%
- Head Start-5%
- Library Subsidy -5%

- County Child Welfare: -\$47 million in Grant Funding
- Child Care Cuts: -\$18 million

Higher Education Cut by One-Third Since Start of Recession



In 2012-13 PA will Spend Twice as Much on Prisons as on Colleges and Universities



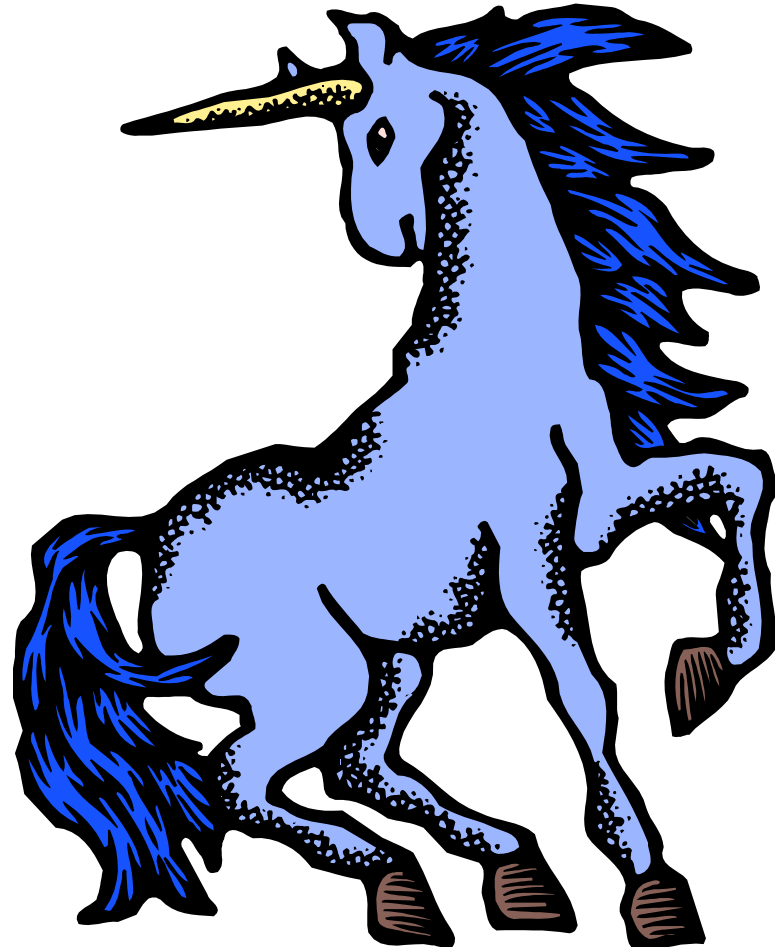
The Key to Prosperity



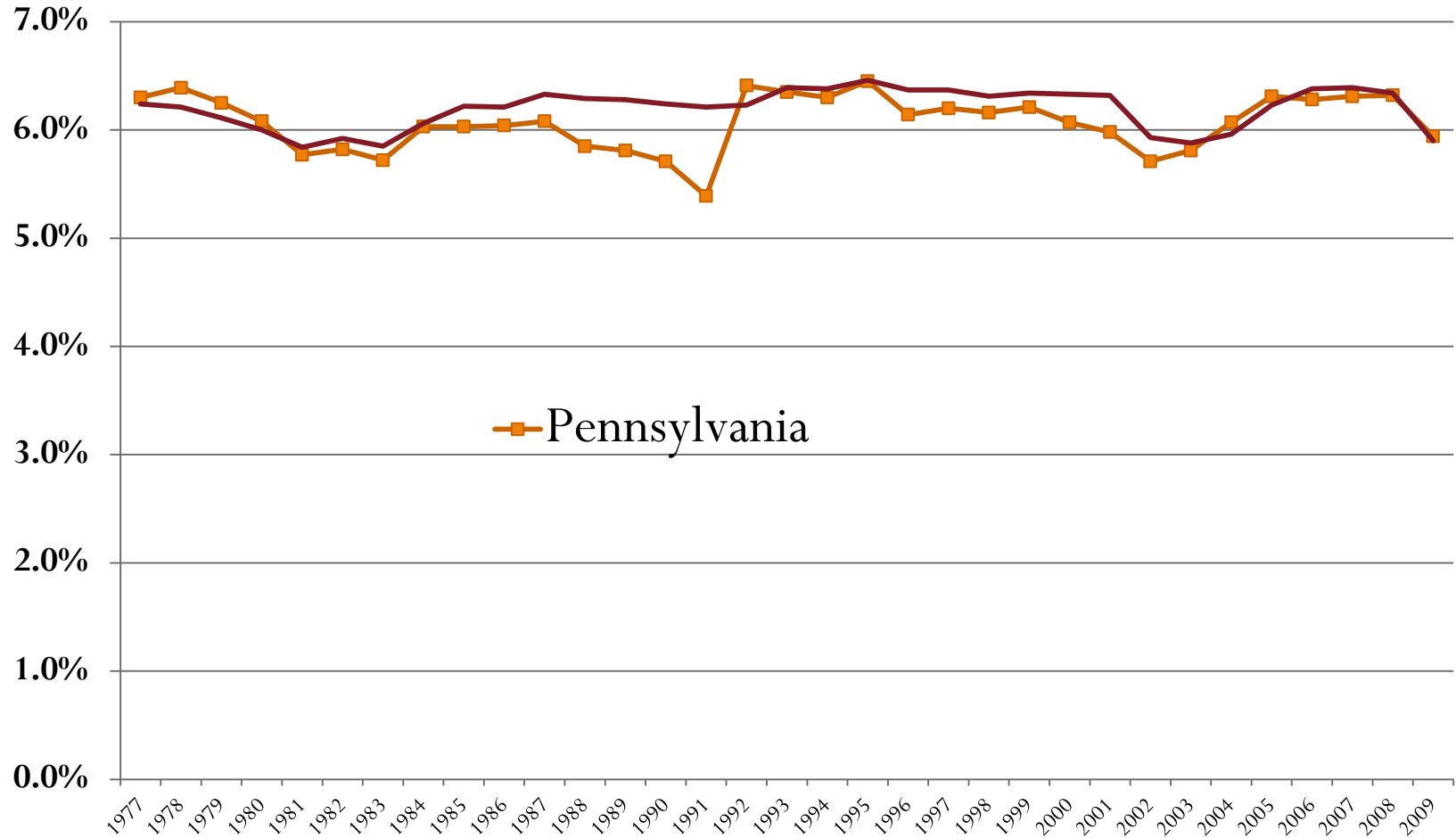
Can We Afford It?



Addressing the Myths of Harrisburg

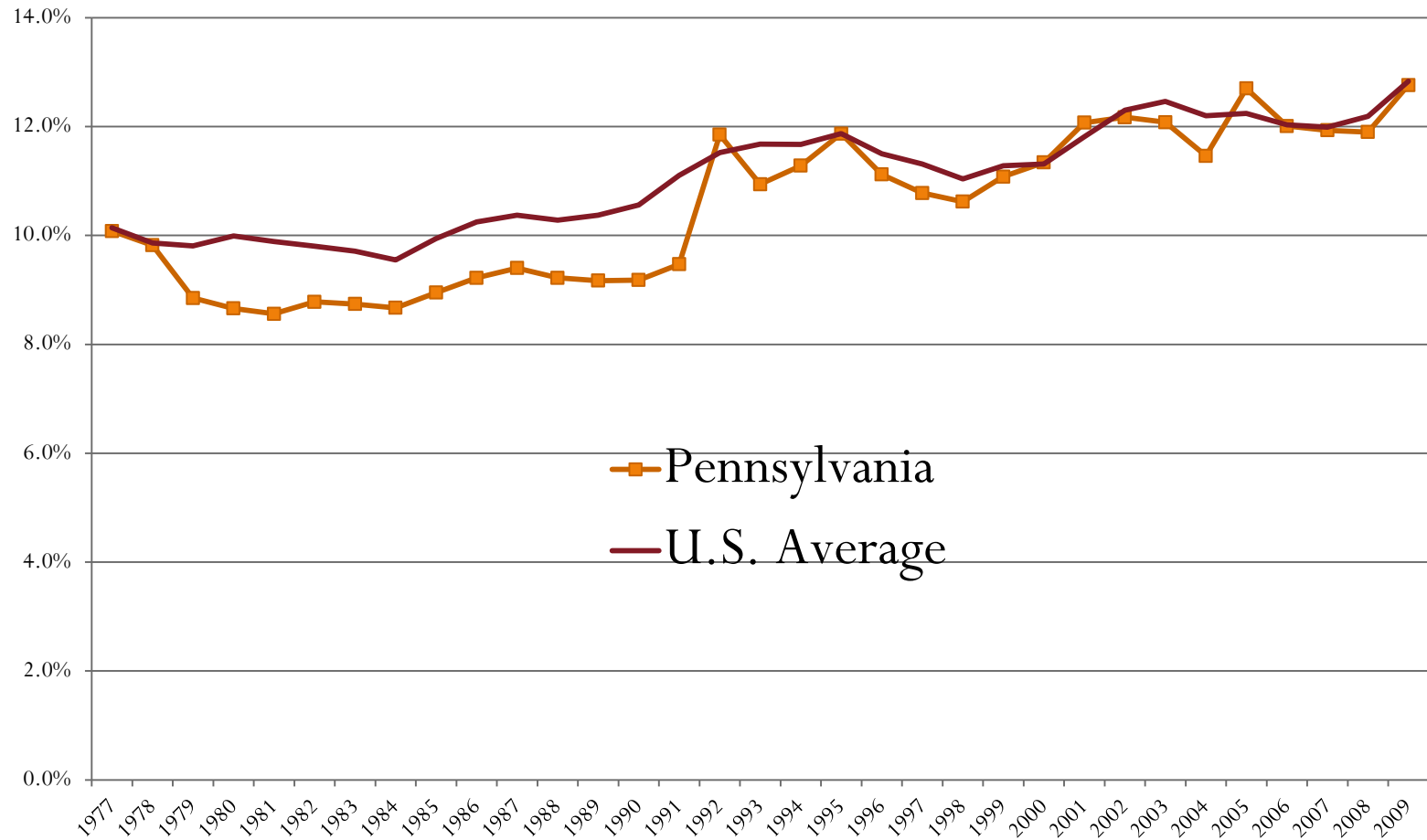


Pennsylvania State Taxes are Average



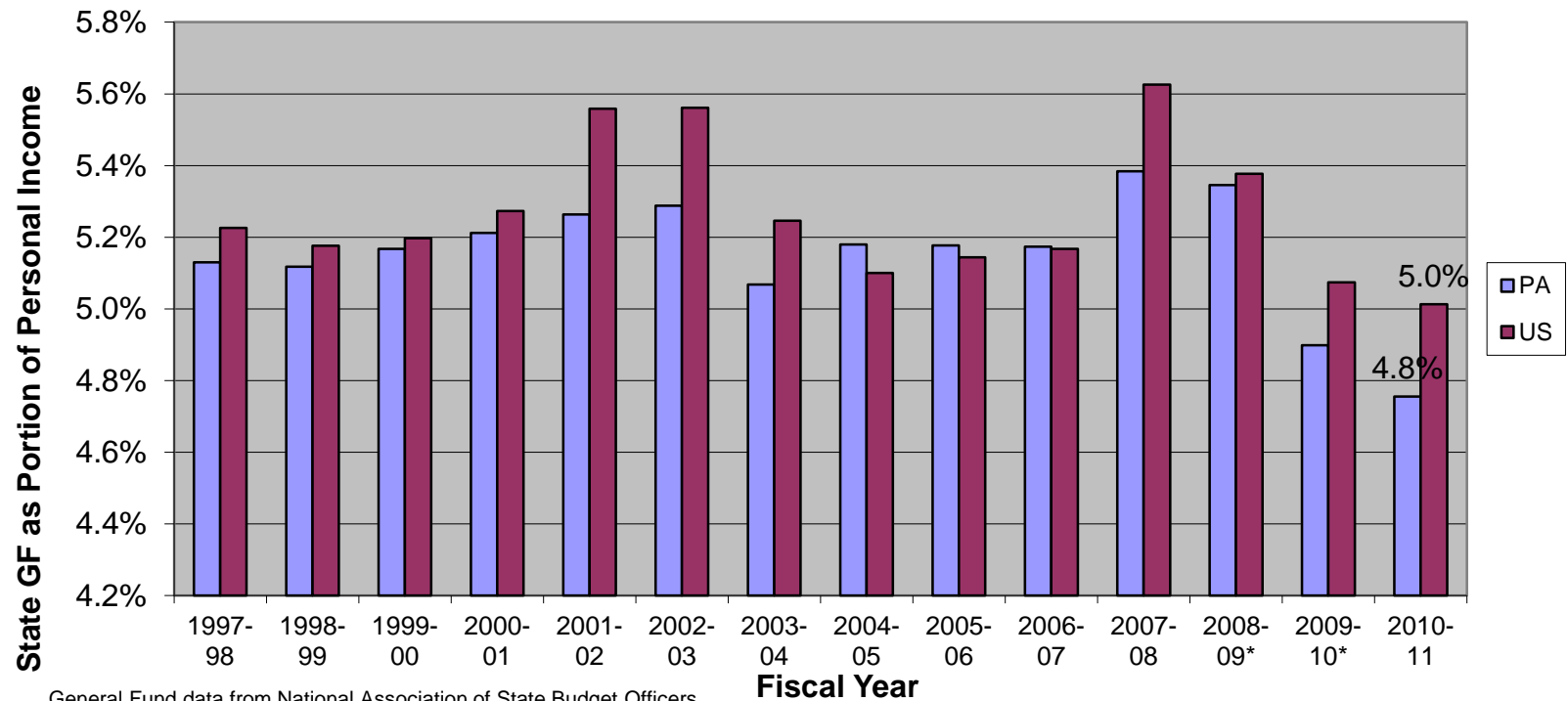
Source: US Census compiled by the Tax Policy Center

Since 1977, PA state spending has been higher than the U.S. average three times (1992, 2001, 2005)



Source: US Census compiled by the Tax Policy Center

Pennsylvania Spends Less on General Fund than the National Average



General Fund data from National Association of State Budget Officers.
Personal Income data from US Bureau of Economic Analysis.

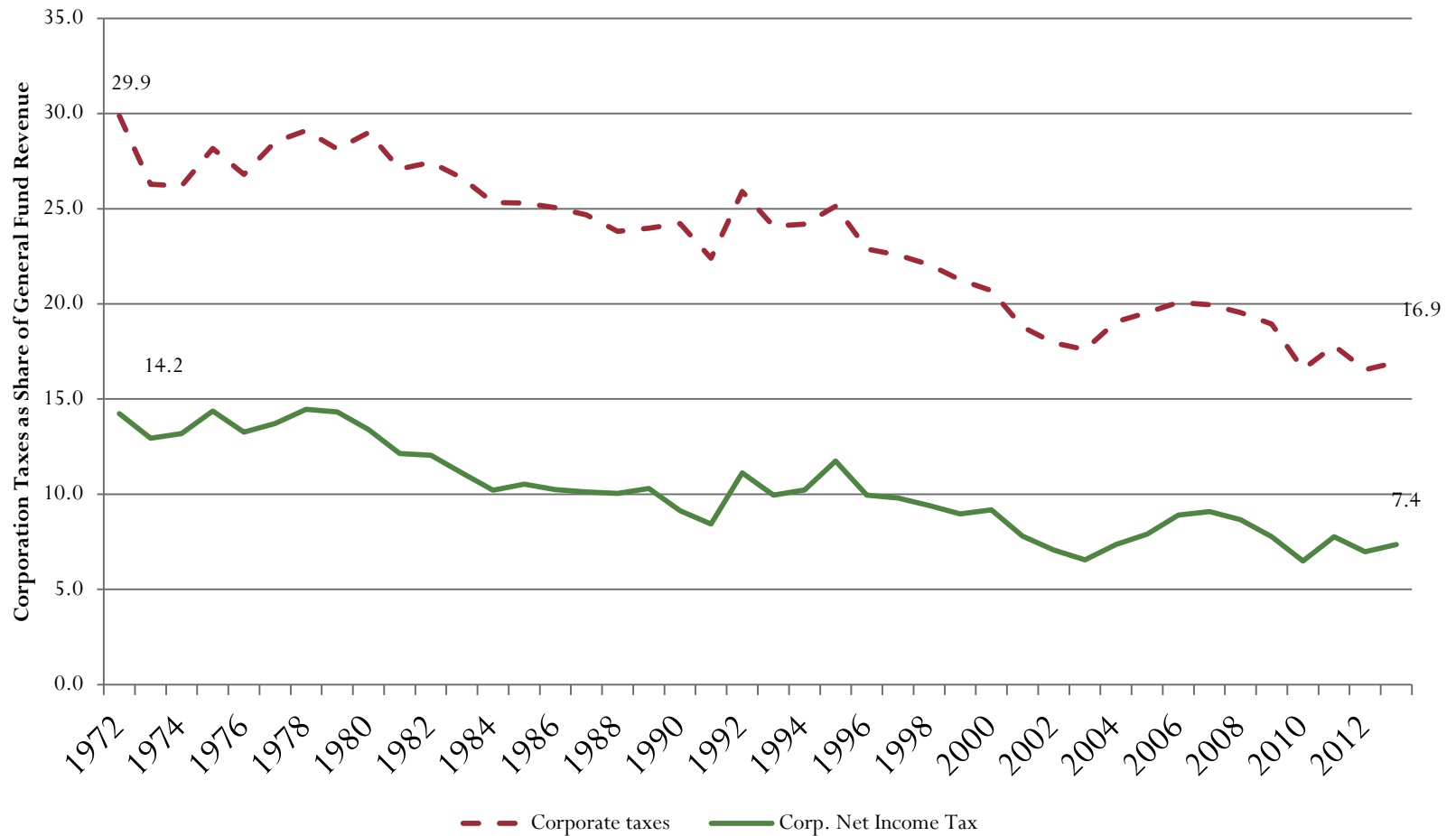
How do we strengthen PA's economy for our grandchildren?



CORPORATE TAX CUTS RESUME

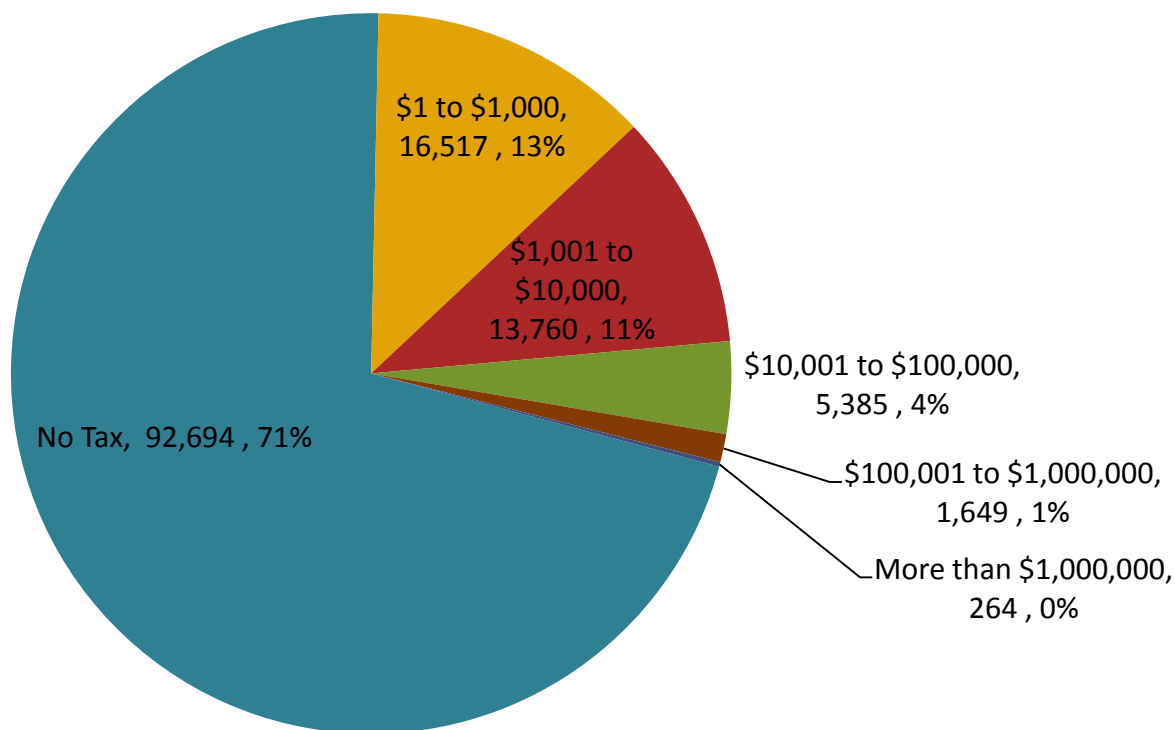


Who Pays? Corporations Share of General Fund Taxes Drop in Half Since 1972



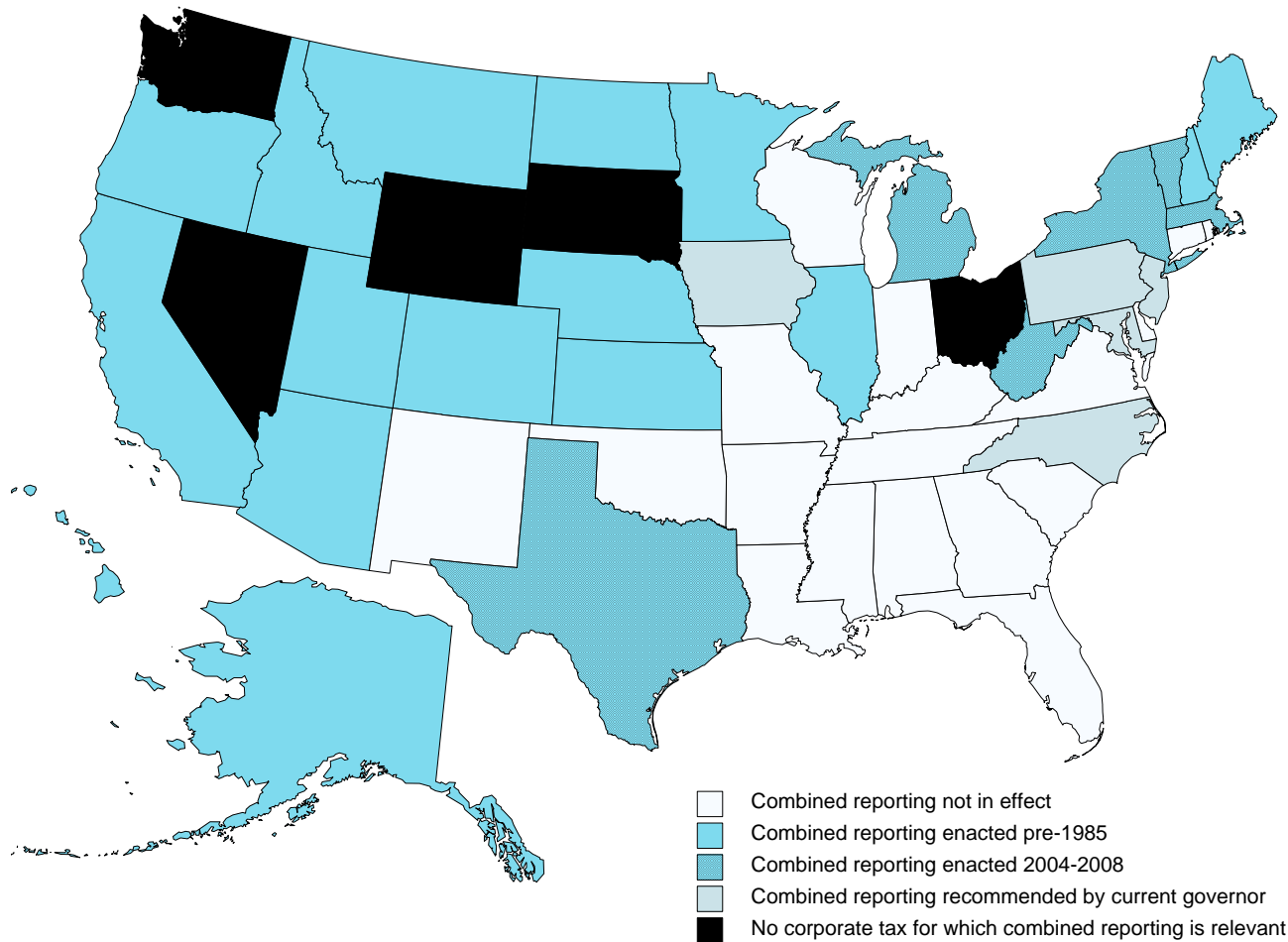
Few Pay Corporate Income Tax

71% of Corporations Filing in Pennsylvania Pay No in Corporate Net Income Taxes



Close Corporate Tax Loopholes

Microsoft and Wal-Mart



TAKE AWAY

- Governor's Budget Moves Pennsylvania in the Wrong Direction
 - Bad for the economy and our communities
- Fails to make investments needed to move the Commonwealth forward
- Accountability for all
- There are better choices for a better budget

What you can do:

Join the Better Choices Budget Coalition

www.betterchoicesforpa.com

Mike Wood

717-255-7180

mwood@pennbpc.org