

# A New Dawn? What to Expect in 2013



SHARON WARD  
EPLC FINANCE SYMPOSIUM  
NOVEMBER 16, 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](http://www.pennbpc.org)

# The Bottom Line



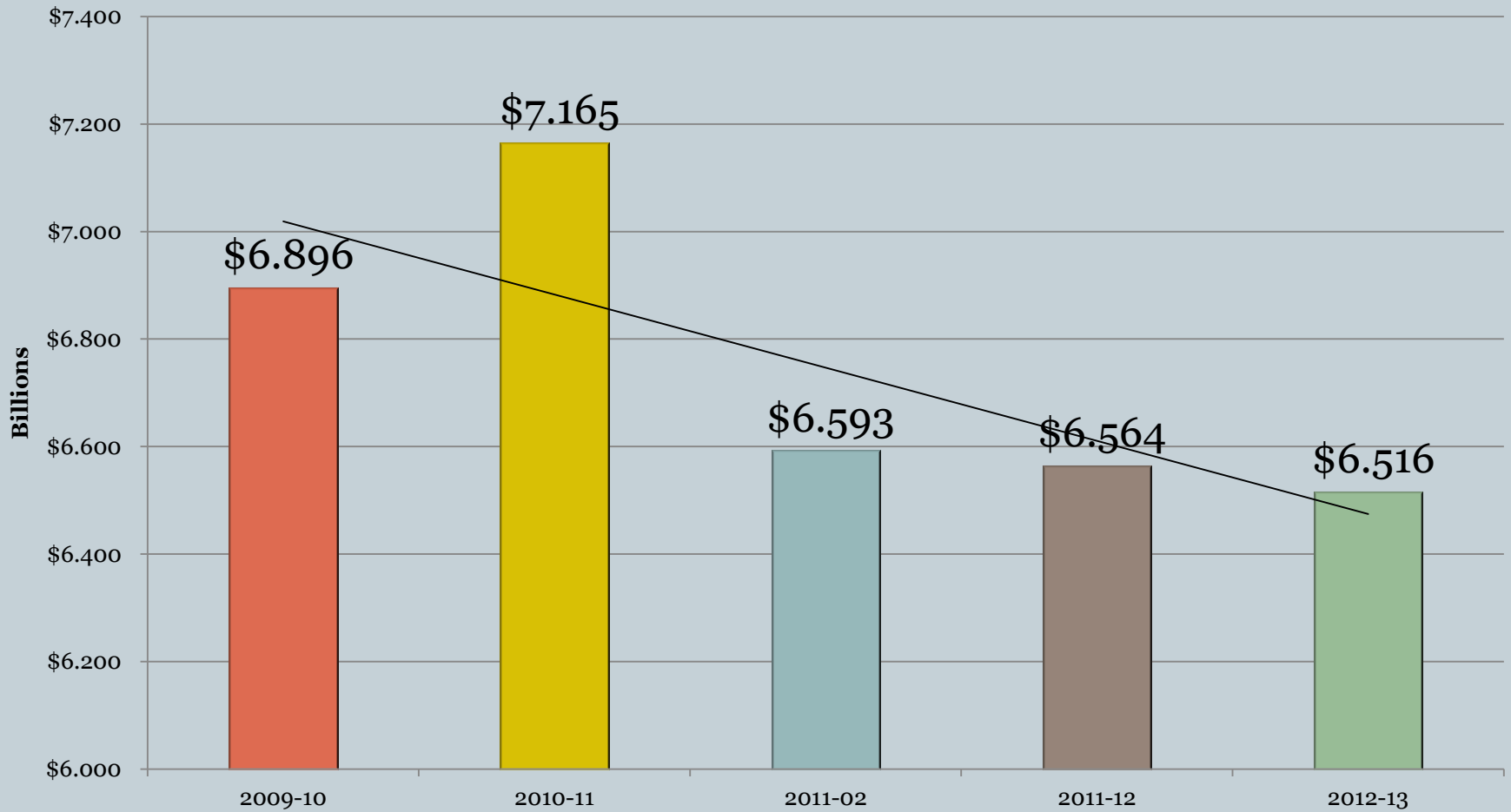
- Budget cuts to schools were not reversed in 2012 legislative session.
- Cuts had serious consequences: to students and to the economy.
- Legislature pulled away from Governor in 12-13 budget: willing to spend revenue, create distance from cuts.
- Serious challenges and threats that need to be overcome.
- New configuration in legislature cause for hope?

# Lasting Impact

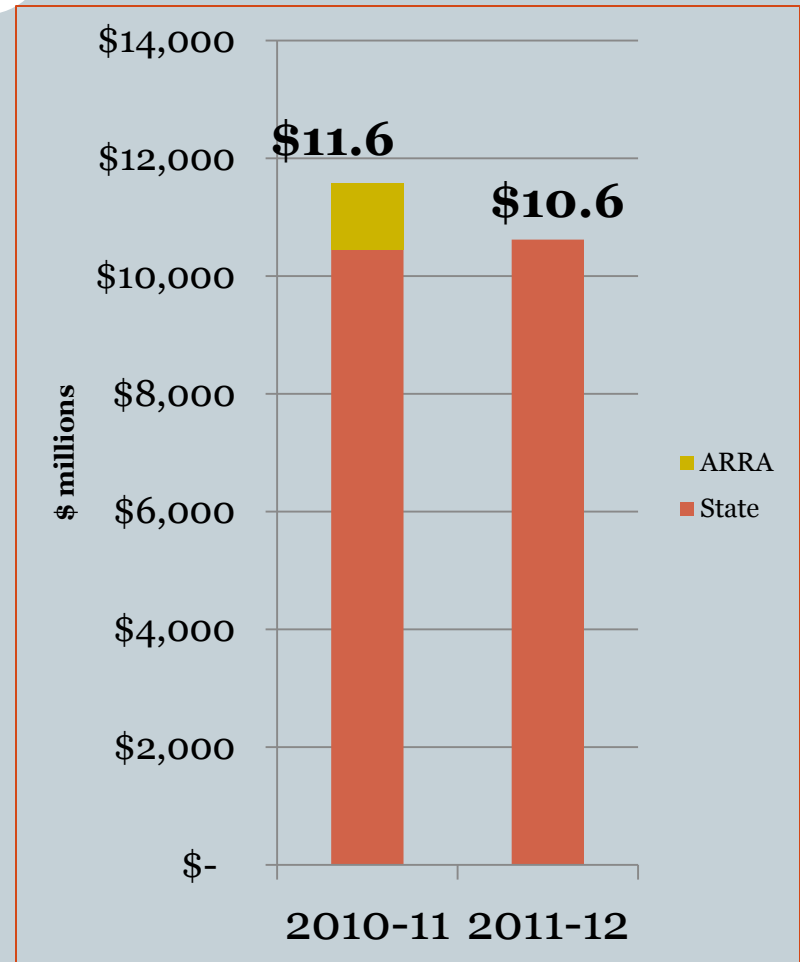
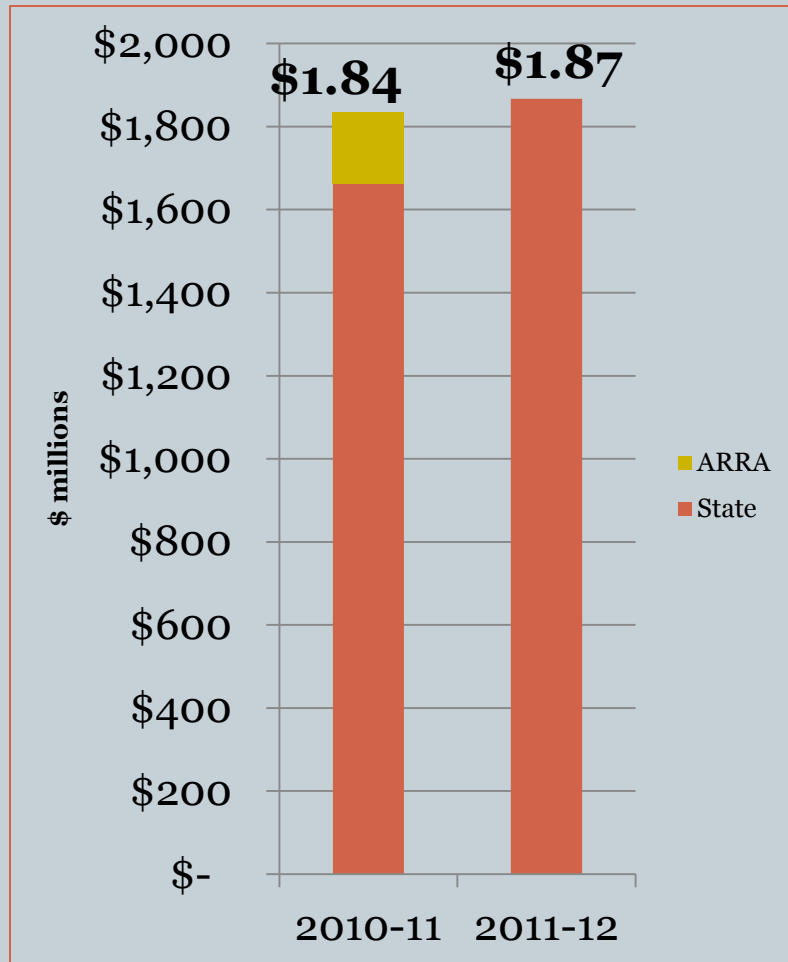


**EDUCATION CUTS TAKE THEIR TOLL**

# Education Gains Wiped Out in 2011-12



# FEDERAL ARRA FUNDS RESTORED FOR PRISONS- NOT FOR SCHOOLS



# Education Cuts Left Intact in 2012-13



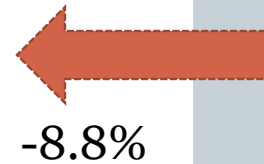
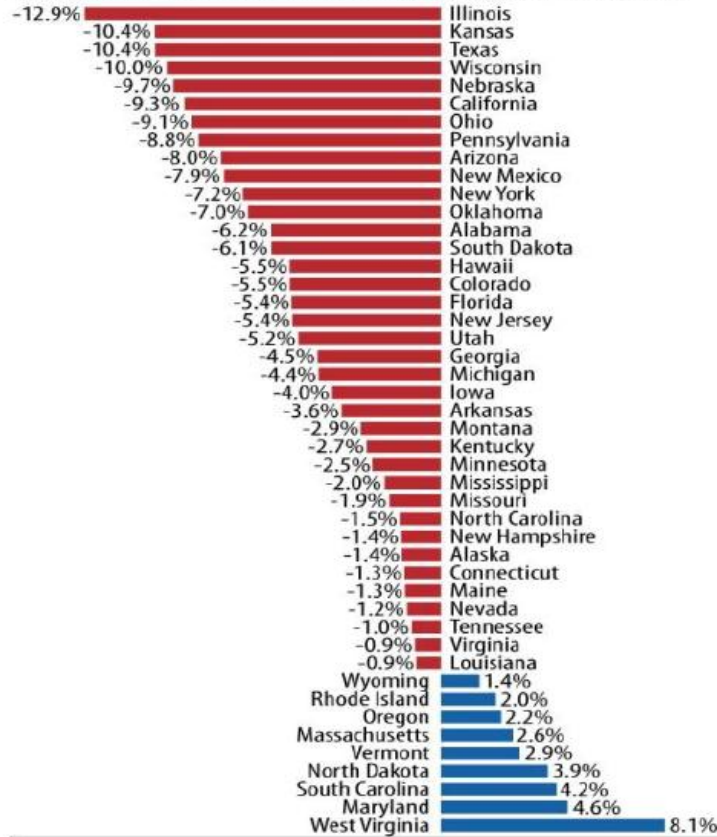
## Education Funding (in \$ millions)

	2010-11	2012-13	% Change
Education - Classrooms	\$6,090	\$5,506	-9.6%
Education - Total PreK-12	\$9,686	\$9,661	-0.3%
Education - Higher Education	\$1,888	\$1,587	-15.9%

# PA 8<sup>th</sup> Largest Cuts in the Nation in 2011-12

## Most States Have Cut School Funding This Year

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



-8.8%

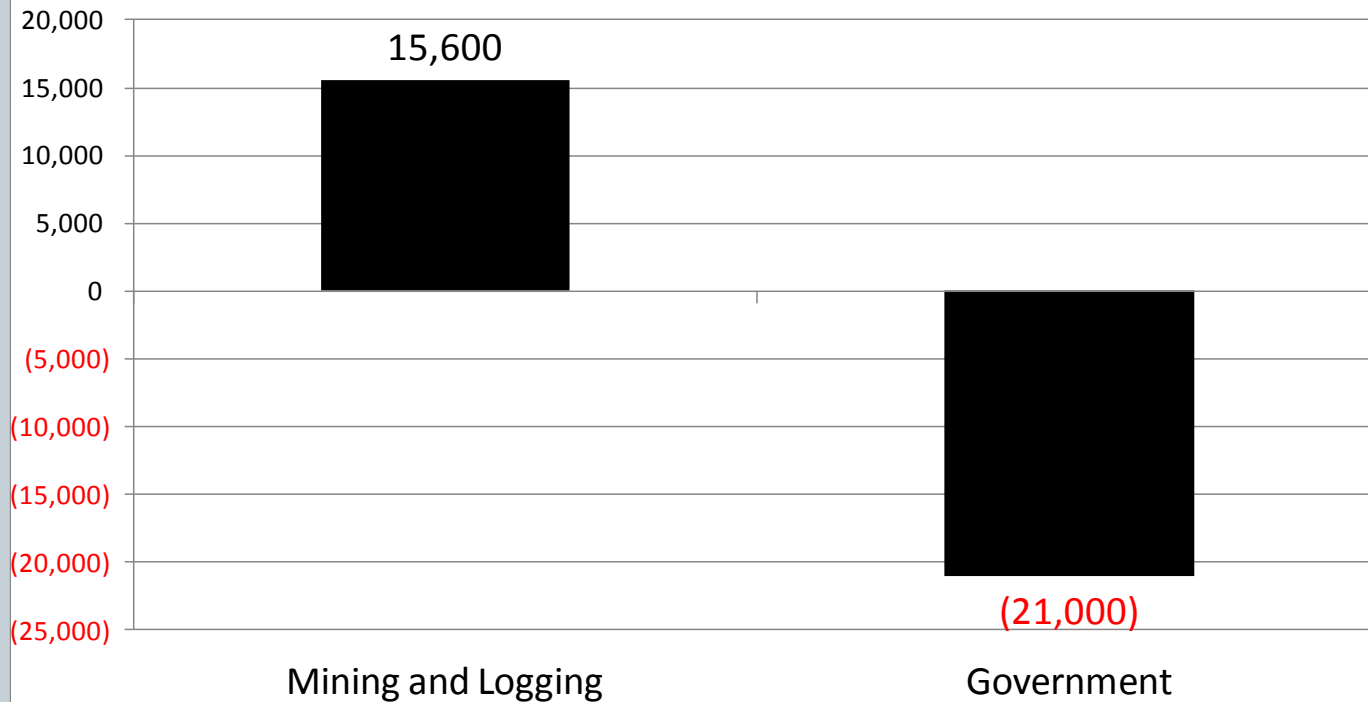
Sources: CBPP budget analysis and National Center for Education Statistics enrollment estimates.



# Education Cuts Drag on Economic Recovery



**Since the beginning of 2010, the 15,600 jobs gained in Mining and Logging have been entirely offset by the loss of 21,000 jobs in the public sector (mostly in education).**



Source: Pennsylvania Budget and Policy Center based on Current Employment Statistics data

# Cuts In the Classroom



- 51 percent of school districts responding increased class size. 70 percent did so in 2011-12.
- 32 percent of school districts reduced or eliminated programs that provide extra help or tutoring for struggling students. 35 percent of had decreased tutoring/additional instruction time in 2011-12.
- 21 percent eliminated their summer school programs in 2012-13. Nineteen percent eliminated summer school in 2011-12.
- 8 eliminated/reduced pre-k six full-day kindergarten.
- 30% furloughed employees, 24% wage freezes, 52% prior year.

# Approval Below 50%



## Quinnipiac Poll Results, November 15 2012

Do You Approve or Disapprove of the way the Governor is handling his job?

					High	Low
	Nov 15	June 27	Jun 12	Mar 15	Sept 29	June 27
	2012	2012	2012	2012	2011	2012
Approve	40	35	36	41	50	35
Disapprove	38	50	47	38	32	50
Don't Know	23	15	17	22	18	15

# Getting Back on Track

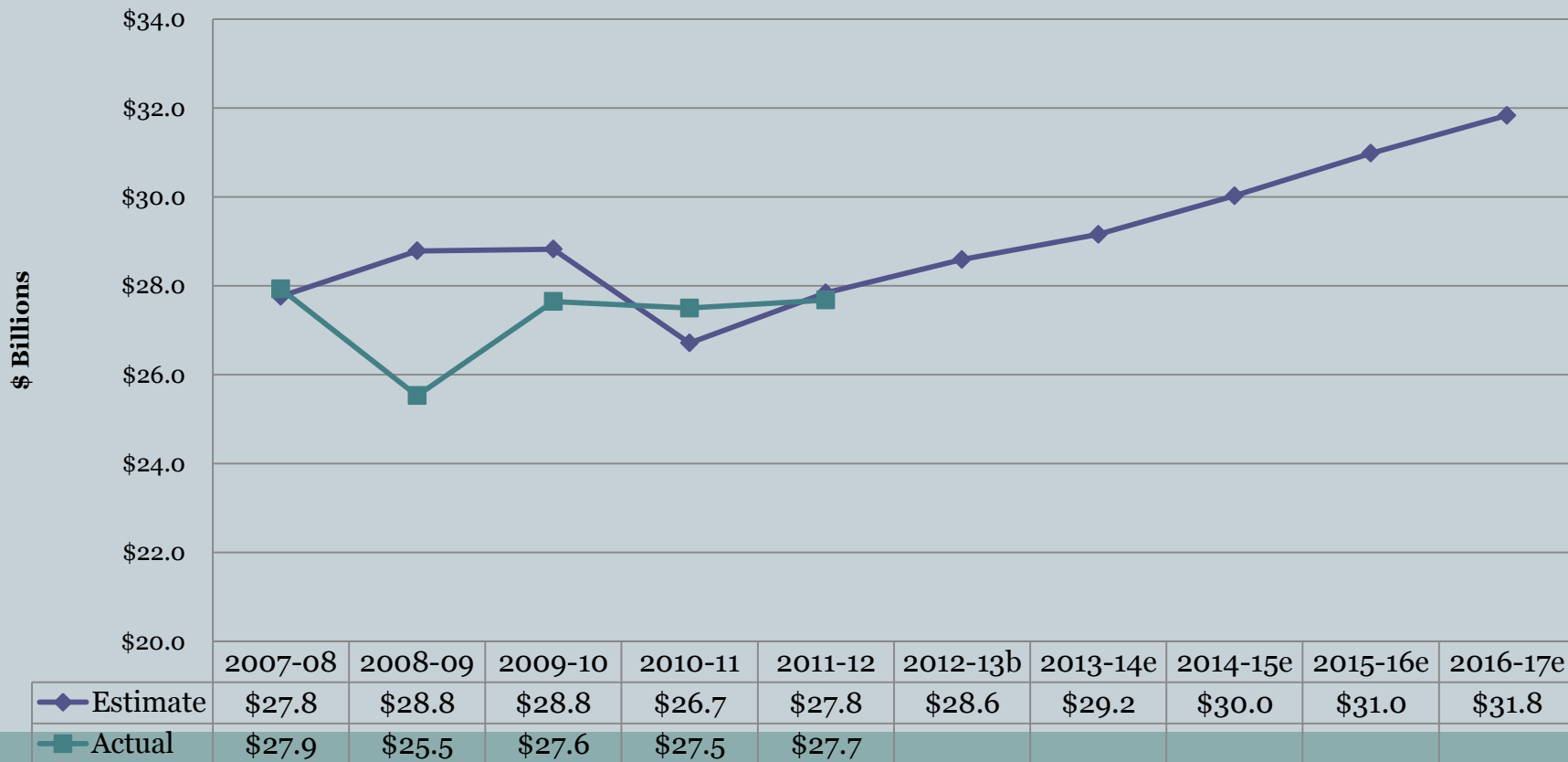


**2012-13 BUDGET**

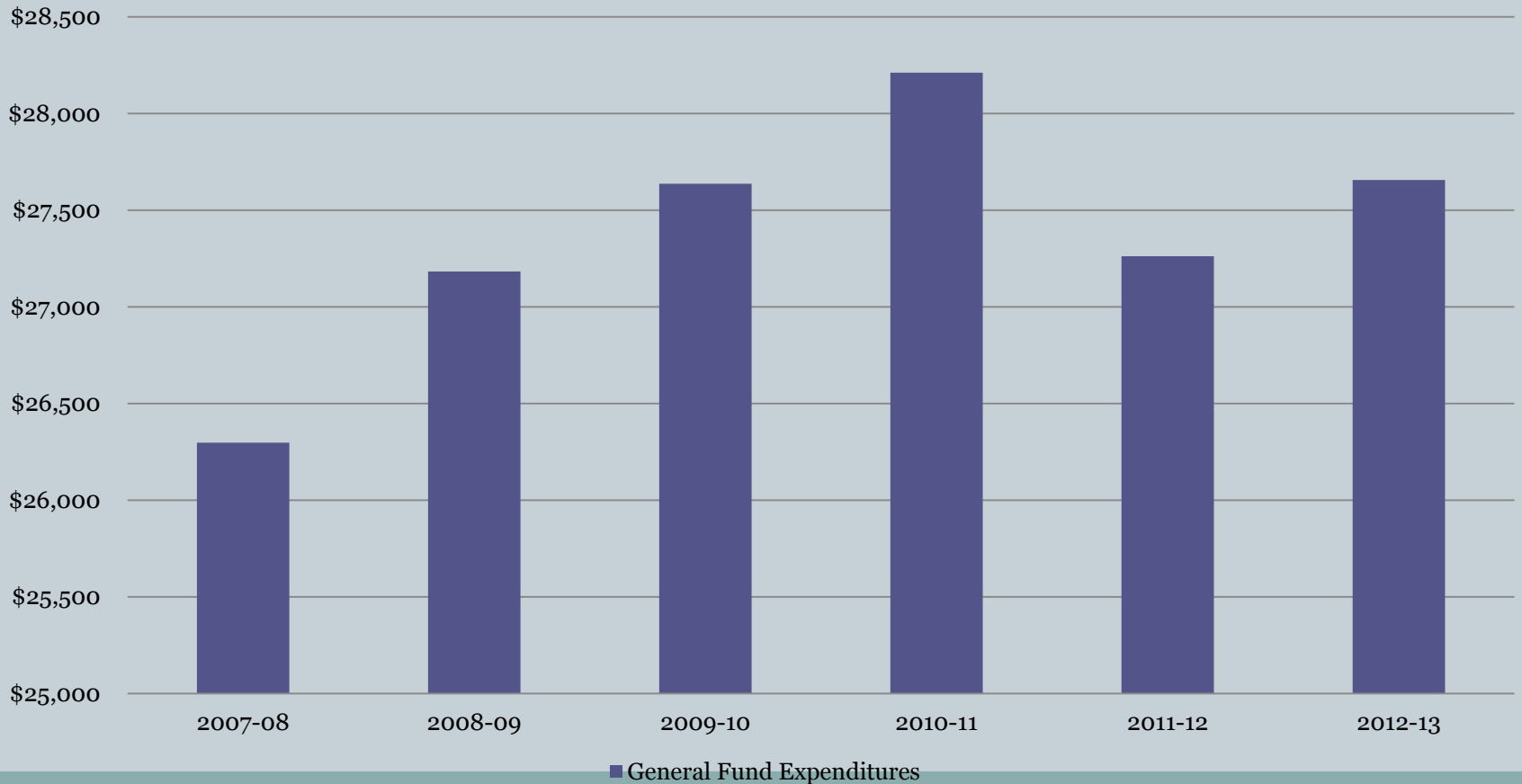
# The economy is getting better ...slowly



**General Fund Revenue ( Minus ARRA) 2007-08 to 2016-17**



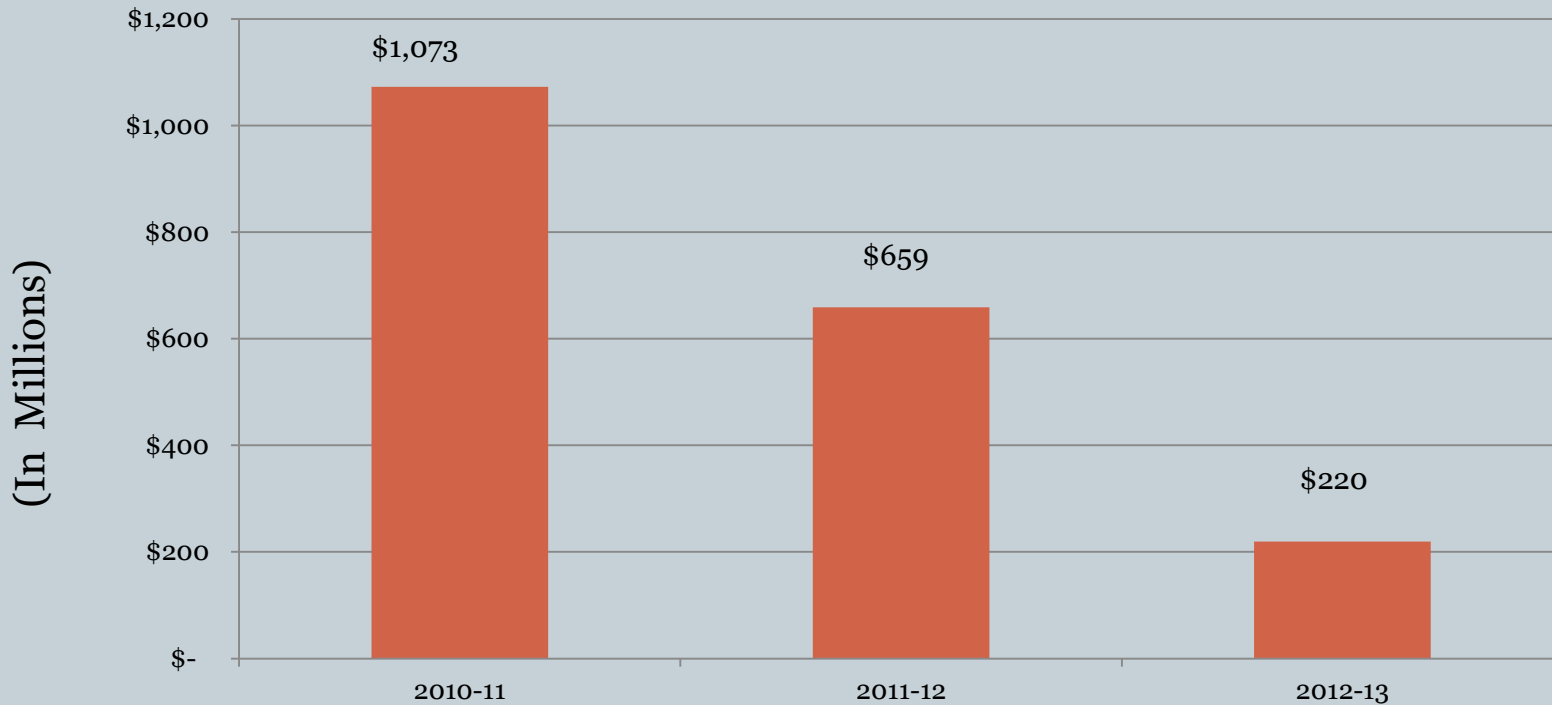
# General Fund Spending Increased in 2012-13



# Three Years of Budget Surpluses



## Year End General Fund Balance



# Education Cuts 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](http://www.elc-pa.org))

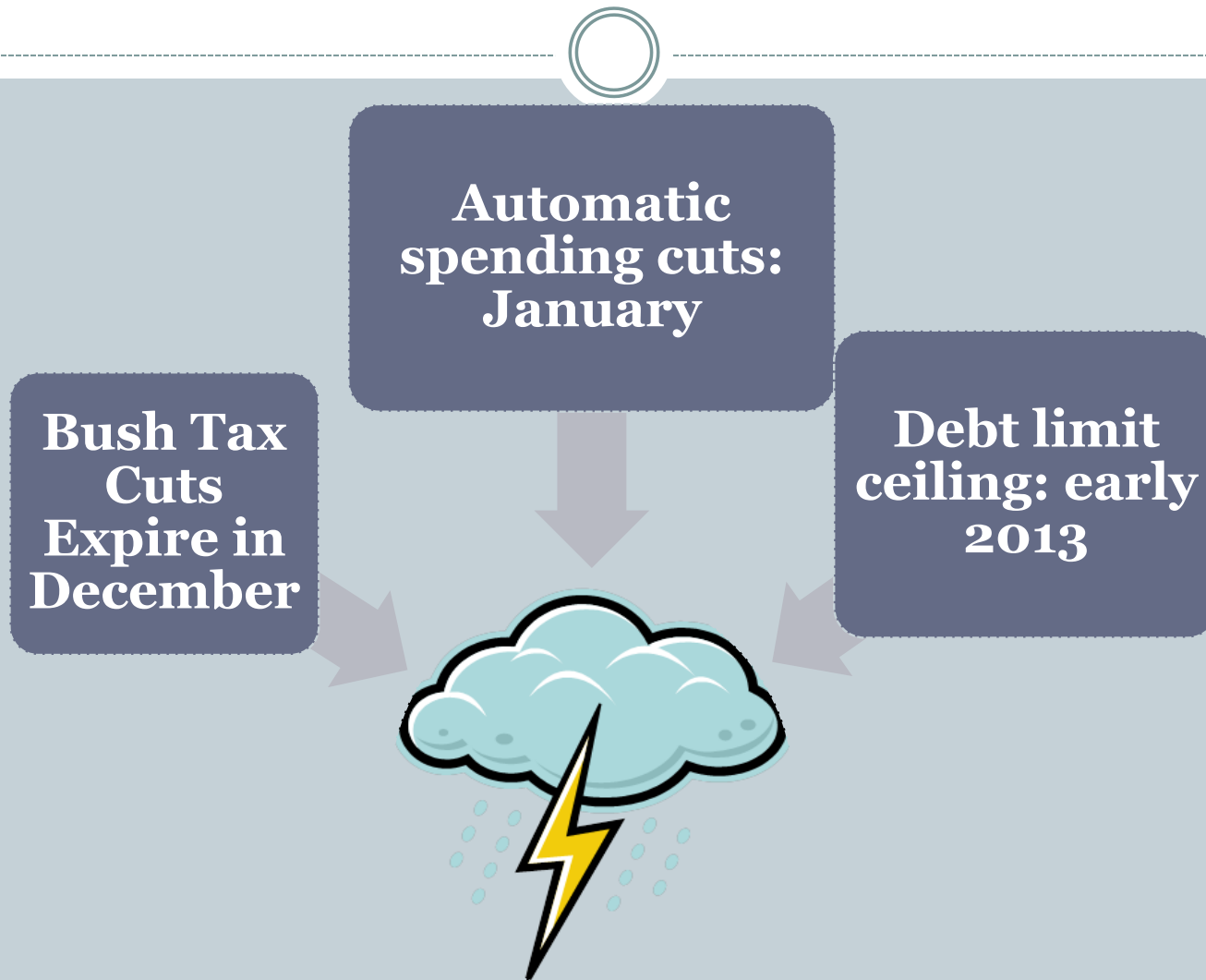
Note: Cuts include reductions in Basic Education, Accountability Block Grants, Reimbursement for Charter Schools, and Education Assistance Program from 2010-11.



# The Threats Ahead



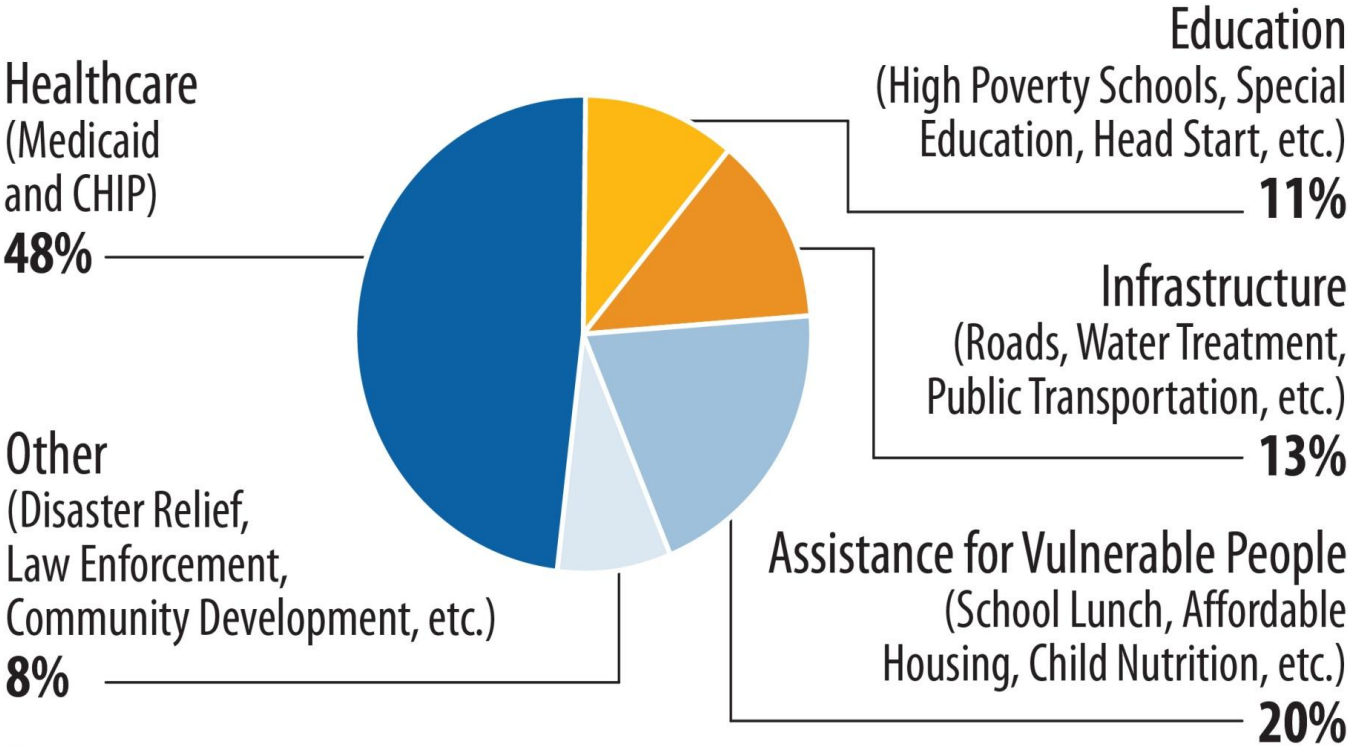
# Federal Budget Cuts Loom



# Education 11% of Federal Spending in States

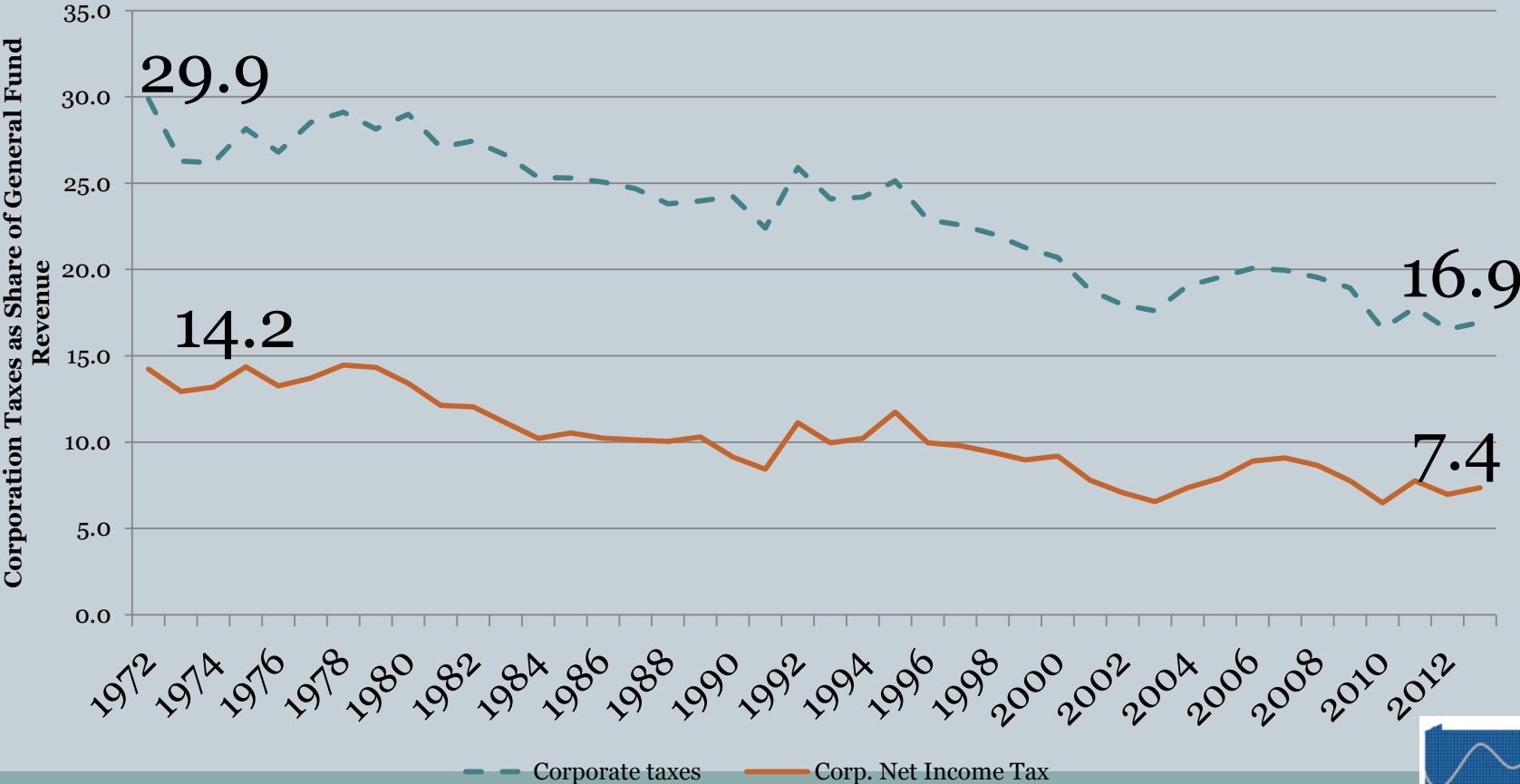


## Federal Grants to States and Localities

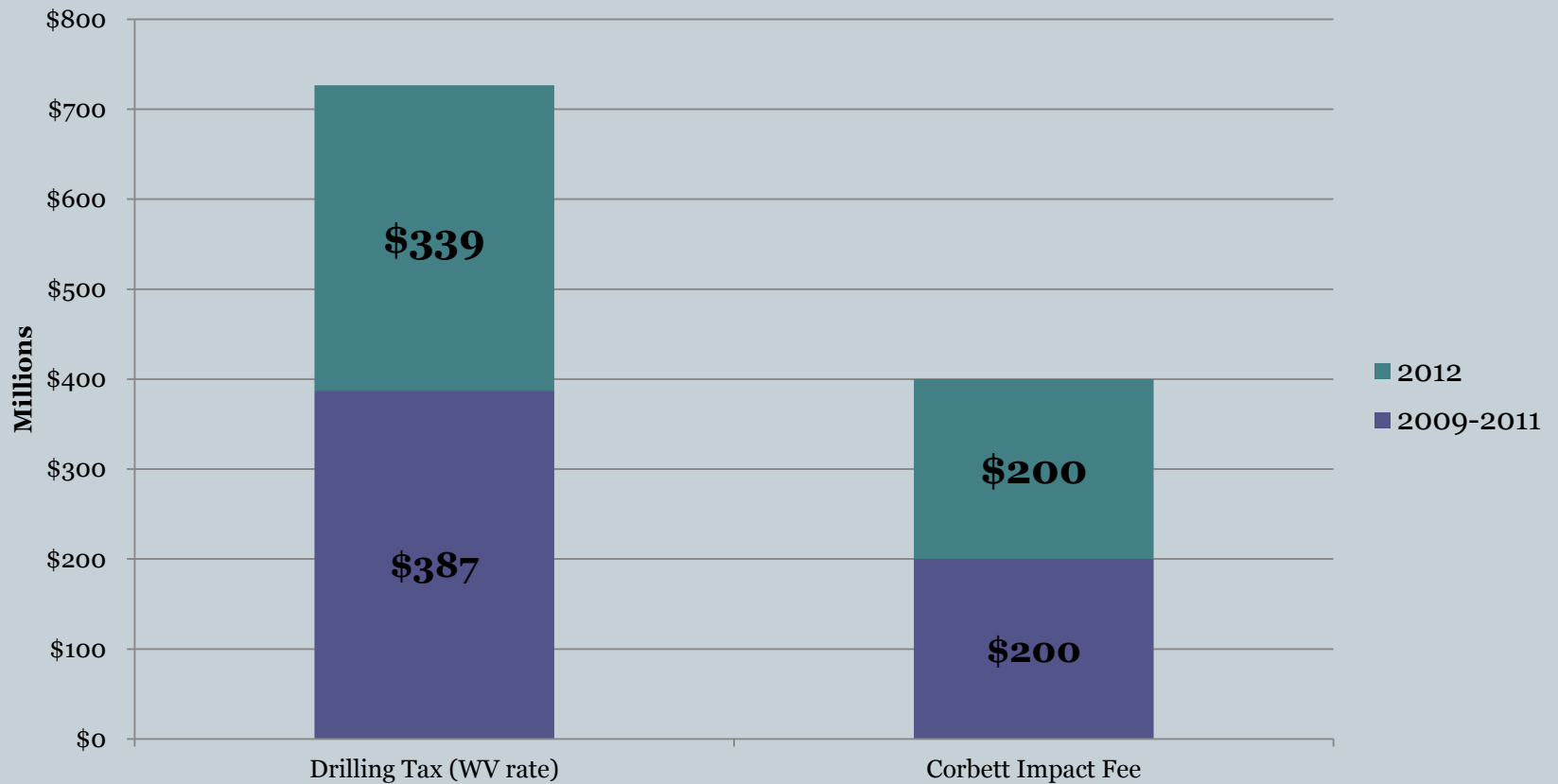


Source: Office of Management and Budget

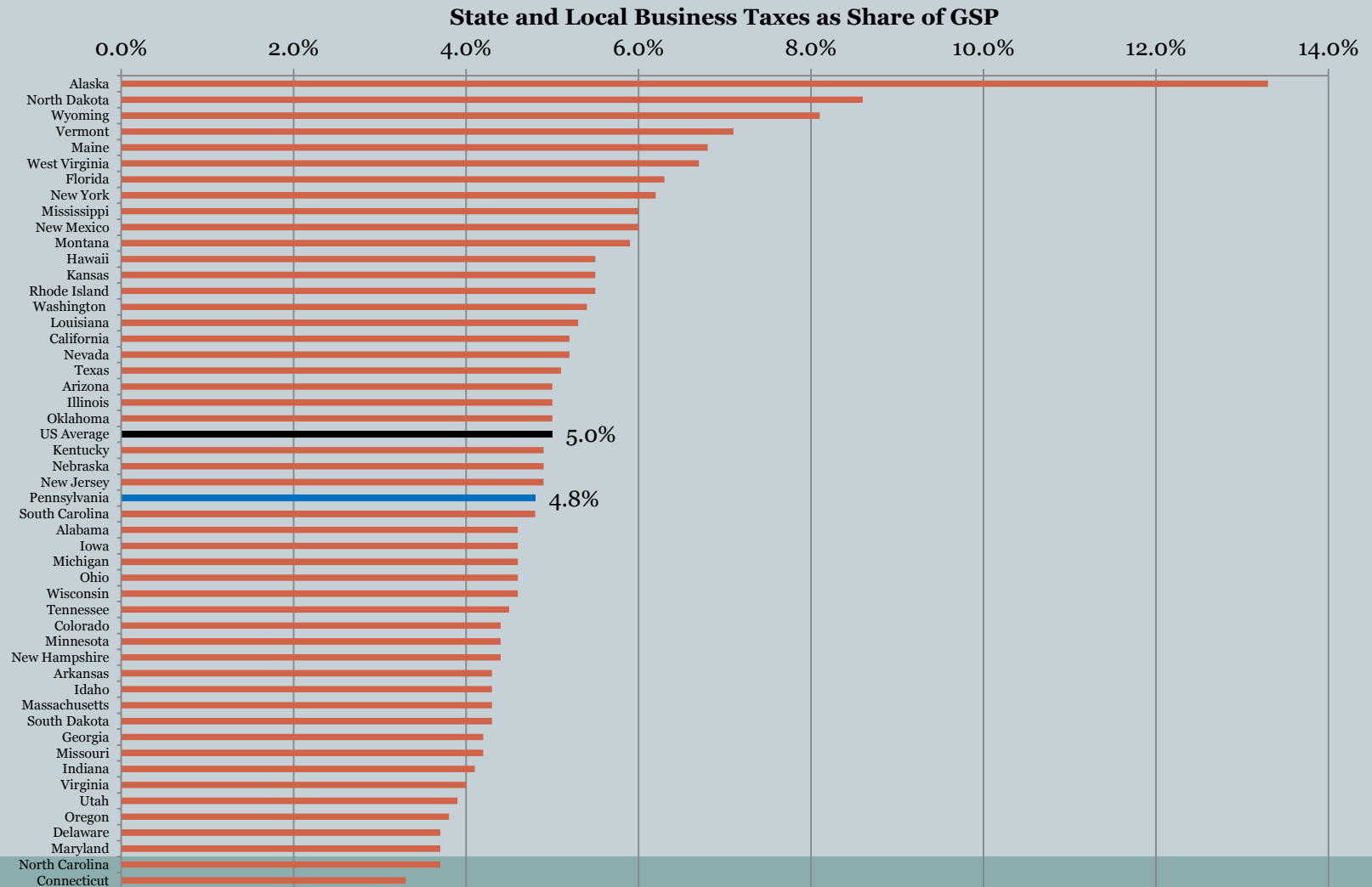
# Corporations Share of General Fund Taxes Drops in Half Since 1972



# Marcellus Shale Impact Fee shortchanges Pennsylvania



# COST Ranks PA State and Local Business Taxes Below US Average (26<sup>th</sup> highest in FY10)

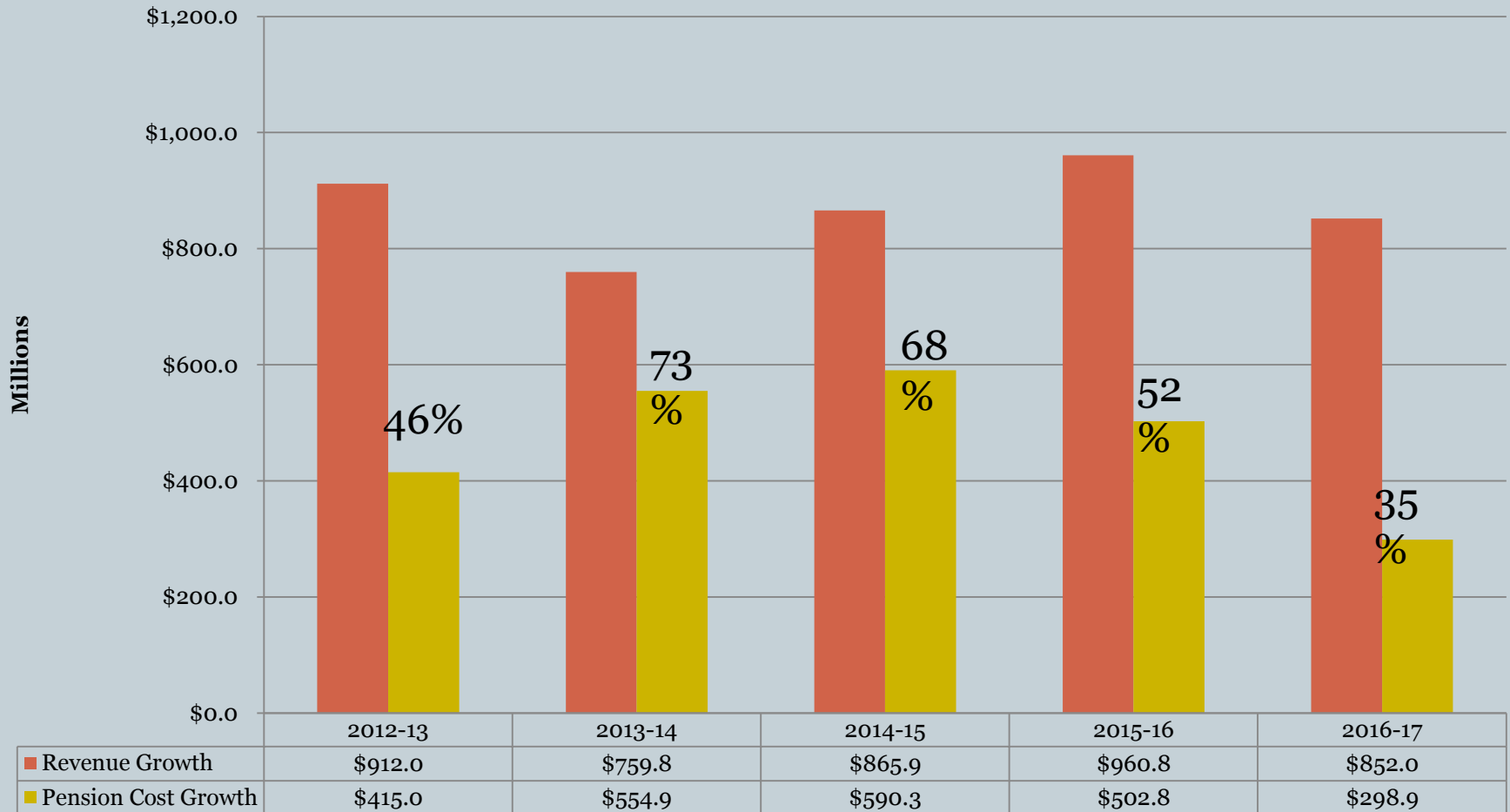


Source. Council on State Taxation (COST),

# Act 120 Reduces Pension costs



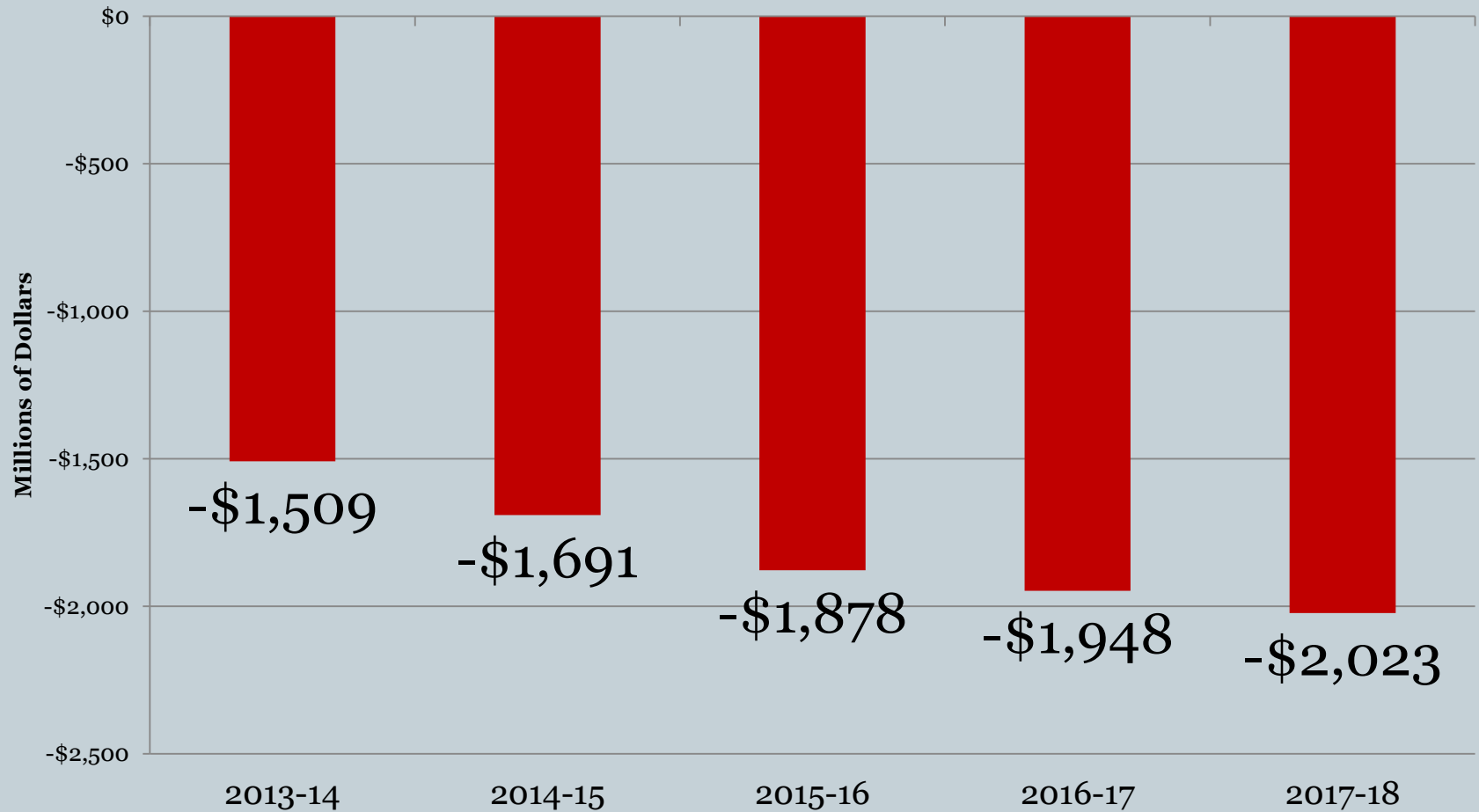
# Pension Catch-Up Hits Over 3 Years



Sources. General Fund revenue projections based on Budget Office revenue projections. Pension Cost Growth from Act 120 of 2010 Fiscal Note.



# Property Tax Elimination Plans Costly



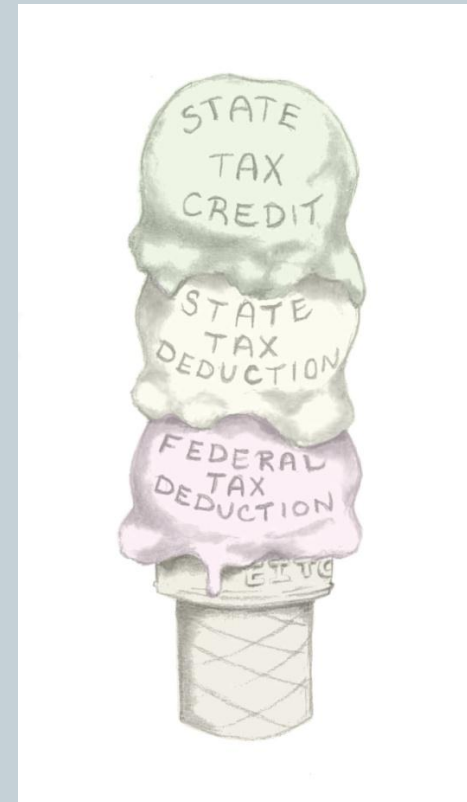
Source. Pennsylvania Independent Fiscal Office Analysis of HB 1776 and SB 1460.

# Legislators Have Different Priorities

## Distressed School Districts

- \$49 million increase for distressed districts

## New Revenue Used for EITC/EISC



# Reason for Hope?



# Will Elections Change Things?



- New configuration in the Senate
- Unpopularity of education cuts
  - Campaign issue
  - Close races in a number of districts for Rs and Ds
- Gubernatorial race is starting
- More revenue, more willingness to spend it
- Smart, visible advocacy

# Public Wants Fair Tax System



**LET'S MAKE ALL CORPORATIONS PAY  
THEIR FAIR SHARE!**



**EXPRESS**

Bath & Body Works®



RANGE RESOURCES



**LET'S CLOSE THE DELAWARE LOOPHOLE!!**

# Voters View on Taxes



- **Voters See the Need for Tax Fairness**
  - Need to reform system to ensure wealthy and corporations pay their fair share
  - Tax system rigged against the middle class, tax breaks for individuals and corporations
  - Haven't fully made the case for new spending
  - If there is additional revenue should be spent on investments including education, infrastructure

# Thank You



Sharon Ward  
Pennsylvania Budget and Policy Center

[www.pennbpc.org](http://www.pennbpc.org)

[www.betterchoicesforpa.org](http://www.betterchoicesforpa.org)

717-255-7156

ward@pennbpc.org