

# Memo

*From the House Appropriations Committee (D)*



TO: House Democratic Members and Interested Parties  
FROM: Rep. Joseph Markosek, Chairman  
SUBJECT: Gov. Corbett's Final Mid-Year Budget Briefing  
DATE: Dec. 3, 2014

This morning, Sec. Zogby presented the final mid-year budget briefing of Gov. Corbett's term detailing the challenges Governor-elect Wolf and the General Assembly will face balancing the upcoming budget. The administration was rather candid about Pennsylvania's serious structural deficit. **Pennsylvania most likely needs more than \$2 billion just to balance next year's budget. That figure doesn't include additional revenue necessary to begin restoring education funding and other harmful cuts.**

House Democrats warned that the current budget, which relied on roughly \$2 billion of unsustainable sources and accounting gimmicks, was shortsighted and masked the state's serious fiscal problem. That's why not a single Democrat voted for this budget. In an attempt to defend its use of budget-balancing gimmicks, the administration compared the amount of one-time options used in previous budgets. As you can see in the [mid-year briefing](#), they included federal stimulus funding in their comparison. It's unfair to compare federal stimulus funding provided to all states during the Great Recession with the types of accounting gimmicks and transfers the administration used to piece together the current budget during a time of economic recovery.

**In addition to the budget gimmicks, Gov. Corbett exacerbated the budget problem by reducing business taxes by \$2.1 billion over the past four years. Now, in the upcoming budget, those business tax breaks will cost the state another \$1 billion in lost revenue.** Not only were those business tax breaks unaffordable, they were also ineffective. Compared to other states, Pennsylvania continues to linger near the bottom in job growth. The administration also continues to tout more than 185,000 private sector jobs created during its tenure but ignores the decline of public sector jobs by more than 48,000. **When you look at the entire jobs picture, only 137,000 jobs were added during the past four years.**

**Not surprisingly, the Corbett administration continues to inaccurately portray pension changes and liquor privatization as options to balance the upcoming budget. Neither proposal will provide short-term revenue or savings; therefore, they are not viable options to close the gap in 2015/16.**

- Pension proposals stalled in the legislature because we have yet to see a plan that works. Rep. Tobash's plan to cut benefits for future employees failed to pay down the debt any faster than Act 120. In fact, no matter how deeply you cut benefits for future workers, it will not provide any near-term savings or pay down the debt any faster. Gov. Corbett's plan to close the pension systems and switch to a 401(k)-style plan failed to gain support because three actuaries concluded it would cost \$40 billion. Lawmakers in both parties also opposed Gov. Corbett's plan to take a pass on making the full pension payments for the next four years.
- If the legislature were to sell-off the state liquor stores today, the state would realize very little of the proceeds in the upcoming budget. Also, 5,000 jobs and the \$80 million annual transfer of liquor store profits to the General Fund would be eliminated. Instead of privatizing the system, Democrats have advocated for improvements that would increase revenues to the state by as much as \$125 million a year.

The administration also suggested other options such as agency consolidations and other efficiencies that are certainly worth exploring but are unlikely to generate the amount of savings needed to close the gap. They also acknowledged that tax and revenue options may be needed and should be discussed. Pennsylvania has little to show for the bare bones, cuts-only budget approach prescribed by Gov. Corbett over the past four years. The short-sighted gimmicks used to balance the current budget, at least on paper, are coming home to roost. I look forward to working with you, Governor-elect Wolf and the new Republican leadership to find responsible, long-term solutions to right the ship and solve Pennsylvania's budget problems.