

A 2016-17 Budget for Pennsylvania's Future

February 2, 2016

Introduction

We believe in a forward-looking government, not necessarily larger than the government we have today, but one that is aggressive, creative, and nimble in advancing our common dreams. And central to what we believe is the notion that, in addition to our individual goals, we Pennsylvanians do have common ones as well. We want a vibrant democracy, a growing economy, superior education, support for those who most need it, clean air and water, and equal opportunity for everyone. We understand that entrepreneurial energy in a market economy will help us attain many of these goals. But we also believe that our individual dreams are far more likely to come true if we can pursue them in a real commonwealth, that is, a political community that recognizes and supports our common goals.

The ideas in this document were compiled by the Pennsylvania Budget and Policy Center based on our own work and that of our partner, the Keystone Research Center, and that of advocates on many issues. The names of our partners are in our letter to the Governor and the members of the General Assembly. Not every group is advocating for every item on this long agenda. But we stand together in this: we believe that the Commonwealth of Pennsylvania is more than a collection of individuals and businesses and that government is not a burden on us. Government is the means by which we act together to secure common goods that we cannot attain on our own.

Raise the revenues we need fairly

The structural deficit

It is customary to talk first about what we want government to do and then talk about the revenues we need to make that possible. But this year, we have to start with revenues. For, at the moment, Pennsylvania cannot afford the government it already has. Even with no new spending, we face a \$318 million deficit this year and a \$1.8 billion deficit next year. Without new revenue, we will see massive cuts in health and human services, education and other valuable government programs.

The source of the deficit

We also know why we have a deficit. Huge cuts in corporate taxes over the last three gubernatorial administrations have left us with at least \$2.4 billion less revenue than we would have had without those cuts. And, we have little to show in economic growth for cuts in corporate taxes.

How to raise revenue fairly

And that is why, when we finally do raise revenues, we need to do so in a way that minimizes the burden on working people and the middle class. We especially need to do this in our state, which has the sixth most unfair tax system in the country. We can do this by adopting the following policies:

- Enact a severance tax on the extraction of natural gas
- Reform the corporate income tax by instituting combined reporting
- Raise the tax rate on income from wealth, that is, non-wage income such as capital gains and profits
- Reform property taxes in a way that is fair to all communities in the state
- Institute a carbon tax that reduces greenhouse gases while refunding the tax to those with low and moderate incomes
- Expand income tax forgiveness for those with low incomes
- Establish a state Earned Income Tax Credit (EITC)
- Establish a state sales-tax forgiveness credit

- Make non-Social Security retirement income count in determining eligibility for income tax forgiveness
- Take the first legislative steps to repeal the uniformity clause

Fund and reinvent education and workforce development for the 21st century

State and local governments have many tasks but none is more central than educating our children. Our democracy needs educated citizens, and our businesses need educated workers. And fairness, as well as democracy and economic growth, is served when every child is able to take the greatest advantage of her or his natural talents. We must:

- Expand quality affordable pre-school programs by \$120 million and provide them in all communities
- Bring the state's increased allocation for basic education funding for the current fiscal year to \$350 million targeting the districts that received the biggest cuts and need help the most. Build on that investment by including \$400 million more in the FY 2016-17 budget for basic education and \$100 million for special education. In addition, adopt the fair funding formula recommended by the bipartisan Basic Education Funding Commission (BEFC).
- Provide adequate funding for the Department of Education
- Make higher education affordable and accessible
 - Make low-cost community college accessible statewide by paying the local share of new and existing community colleges
 - Establish a “Pay It Forward” program to make two years of community college and one year of State System University Education free for responsible students
- Provide great schools and great teachers for all children by
 - Integrating practice teaching with classroom education in teacher training
 - Mentoring teachers in their first two years on the job
 - Implementing broader and more supportive teacher feedback and evaluation programs
 - Developing better ways of evaluating student achievement that reduce the focus on standardized school testing. We should shift evaluation metrics to the system-wide levels – school, district, county, metro and region – in a way that supports collaborative efforts to improve education.
- Strengthen low-income schools
 - Fund innovative programs that reduce concentration of poor children in low-income schools
 - Fund community-based schools, initially in low-income communities
- Create a path for skill and career development for the 21st century
 - Create the nation’s most ambitious, integrated Workforce Investment and Opportunity Act plan to connect education and training at all levels to industry
 - Enact multi-employer tax credits and a reauthorized Reemployment Fund to sustainably fund industry partnerships and apprenticeships

Promote shared prosperity

Economic opportunity and security

The benefits of productivity growth and economic expansion have been captured by a narrow band of people and businesses for far too long. Shared prosperity is not only fair, but it is critical to creating the demand for goods and services that would spur higher levels of economic growth. Thus Pennsylvania should:

- Raise the minimum wage to at least \$10.10 per hour plus inflation since July 1, 2015. This not only benefits low-income workers but will save the state millions as people move from “old” to “new,” expanded Medicaid that is largely paid for by the federal government
- Enact an Executive Order that mandates a minimum wage of at least \$10.10 per hour plus inflation since July 1, 2015 for state government workers and contractors
- Enact a fee that requires employers whose low-wage employees rely on public assistance programs to reimburse the state for their cost
- Protect the jobs and pensions of state workers, and give state workers a voice in efforts to make public services more effective in our state
- Modernize, but do not privatize, the Liquor Control Board and State Wine and Spirits Stores
- Reduce wage theft through strategic, industry-specific enforcement of labor standards
- Establish a Retirement Security for All program that provides all private workers with access to any high-quality individual retirement savings account set up for state workers
- Reinstate funding for PA’s Family Savings Account Program to give low-income families incentives to save and learn how to manage their money

Make Pennsylvania a leader in the global innovation economy

In the first decades of the 19th century, the Commonwealth of Pennsylvania became a rapidly growing, high wage, modern economy. The state government played a major role in making that happen by building infrastructure, financing public and private initiatives, and investing in innovative industries, as well as education. While the methods may be different, the same approach is necessary in the first decades of the 21st century. Thus we should:

- Fund innovation initiatives within industry clusters and between universities and industry clusters
- Develop a Pennsylvania Advanced Manufacturing agenda that will help more Pennsylvania companies ride the reshoring wave, bringing back jobs from offshore and helping more start-ups manufacture and grow in Pennsylvania
- Develop a Pennsylvania Economic Agenda for rural Pennsylvania
- Provide seed funds for innovation in renewable energy, conservation and other clean industries
- Fund a Pennsylvania Community Bank that directly or indirectly encourages small and micro loans and technical assistance to small business

Protect those who need our help while encouraging self-sufficiency

All of us at one time in our lives need the support of others. Some of us, through no fault of our own, need a bit of extra help. A commonwealth provides the services necessary to protect the lives and well-being of everyone and helps everyone become as self-sufficient as possible. Thus in the following areas we should:

Strengthen human service providers

- Reimburse the interest costs to human service agencies that must borrow when a budget is not passed
- Hire additional caseworkers in the County Assistance Offices (CAOs). Over the past 15 years, the staffing complement in the CAOs has been almost halved, while the number of Pennsylvanians receiving some form of public assistance has increased by more than one million. Caseworkers are no longer able to do individualized casework that would put people on a path out of poverty. Instead, the focus has been on processing benefits.

Homelessness

- Expand funding for the homeless assistance program

- Increase funding for case management services for the homeless to deal with long term problems as well as immediate needs

Hunger

- Expand the State Food Purchase Program
- Increase funding for the Pennsylvania Agricultural Surplus System in ways that benefit the 1.8 million Pennsylvanians struggling with hunger and support local farmers

Mental and behavioral health

- Restore all cuts to the mental health programs made by the previous administration
- Fully implement the Mental Health Parity Act
- Support the Certified Community Behavioral Health Centers application
- Promote and prioritize the utilization of technology to advance the efficiency of behavioral health service delivery
- Increase funding for supportive housing for those who suffer from mental illness
- Fund new early intervention programs for the first onset of psychosis
- Review rates to insure that similar services provided to different populations receive the same reimbursement

Intellectual and developmental disabilities

- Provide innovative and effective services that take into account the variety of physical and behavioral needs of clients that provide new ways to help families and companions provide individual care and that encourage and support employment of people with disabilities
- Provide sufficient funds to ensure that no student graduates to “the couch” and no one needing emergency services is allowed to languish on wait lists
- Develop new rate-setting procedures that provide fair and timely payments that take into account the actual costs of services at different homes/sites and that provide sufficient start-up funds for new homes/sites
- Close high-cost state run institutions and use the savings to better support individuals in their communities

Addiction recovery

- Create an emergency treatment and recovery support fund to address the opioid and prescription drug addiction epidemic
- Invest in treatment and other programs that support long term recovery. Addressing long term recovery will ease the burden placed on taxpayers
- Develop policies across both the drug and alcohol and criminal justice systems that support harm reduction

Ensure a safe, healthy environment

Our land, water, and air are part of our common wealth. Thus while we benefit from the land and resources of that common wealth, we must also protect it for future generations. Today that means not only preserving clean water and air, and using our land wisely, but ensuring that global warming does not threaten our lives and prosperity. We should:

- Fully fund the Department of Environmental Protection by increasing its share of state spending to the level it reached 15 years ago
 - Hire 50 new inspectors for oil and gas drilling oversight

- Enhance inspections and enforcement to reduce methane leakage, cut greenhouse gas emissions, provide additional oversight of the Chesapeake Bay clean-up plan, and decommission abandoned oil and gas wells
- Climate Change and energy efficiency
 - Invest in Pennsylvania's Keystone HELP Program to boost energy-saving residential energy efficiency by providing thousands of low interest loans that help families afford energy saving upgrades to their homes
 - Invest in seed funding for a redesigned solar sunshine revolving fund that provides grants and low interest loans for solar installations
 - Re-energize Pennsylvania's wind energy industry by re-starting the grant and loan program at DEP/DCED, taking advantage of the extended federal production tax credit for wind, and by creating incentives for the development of an offshore wind manufacturing hub in southeast Pennsylvania
- Develop plans for a new round of the Growing Greener program
- Create a trust fund from revenue generated by gas drilling on public lands to provide long-term sustainable funding for environmental conservation and restoration

Make the criminal justice system more just

One of the first tasks of government is to protect our lives and property from crime. But we must do this in a way that respects the rights of all of our citizens, including those accused of crime and those who have paid their debt and are returning to civic life. And we must also require that the police always respect the law as well. Thus we should:

- Set up new procedures to ensure that improper and illegal police actions are subject to fair and complete investigation
- Identify alternatives to incarceration that would reduce over-incarceration in Pennsylvania
- Create laws and regulations to assist returning citizens to secure employment, housing, education, and health care.

Revitalize democracy

Everything we hope to achieve requires a government that responds to the goals and interests of the people of Pennsylvania. Thus we must take the following steps to make our democracy more vibrant and guarantee that political power is not captured by special interests:

- Encourage voting
 - Create same day registration for voters
 - Institute voting by mail
 - Encourage utility companies to put polling information on their bills
- Limit the role of money in politics
 - Institute limits on campaign contributions
 - Provide partial public financing of political campaigns
 - Simplify access to campaign contribution reports
- Create non-partisan redistricting of legislative and Congressional seats