

PENNSYLVANIA'S CREDIT DOWNGRADE

WHAT YOU NEED TO KNOW

1. The credit downgrade was entirely predictable. There were warnings by credit agencies and groups like PBPC. If we do not raise revenues and deal with the structural budget deficit, it could happen again.
2. The credit down grade is based on the failure of the House Republicans to accept the need for long-term recurring revenues to balance the budget, not just for this year but for future years.
3. The credit down grade will affect the interest paid by state, county, and municipal governments and school boards. It will lead to higher taxes at all levels of government. Once again, the failure to raise revenue at the state level will lead to higher taxes at other levels of government.
4. The credit down grade was entirely avoidable. If the General Assembly had enacted Governor Wolf's proposals in February 2017 to raise \$1 billion from a severance tax on natural gas, corporate tax reform, and sales taxes on business-to-business purchases — none of which would place a severe burden on working and middle class Pennsylvanians — there would be no credit downgrade. If the General Assembly had enacted the modest personal income tax increase Governor Wolf proposed in February 2017, not only would the budget be balanced this year, but there would be almost no carryover deficit from last year.
5. The credit downgrade also shows us that experts on state budgeting believe that there are no large pots of surplus funds available to balance the budget this year.
6. The General Fund is in the red and, for the foreseeable future, will have to delay major payments to Medicaid providers, the pension fund, and schools.
7. If new revenues are not found soon, the Governor will be forced to make cuts to the budget that will severely harm K-12 education, higher education, human services including mental health care, treatment of opioid abuse and support for those with disabilities.
8. It's time for reasonable Republicans in both the House and Senate to demand that Speaker Turzai bring a bill to the floor with recurring revenues, including a severance tax on shale gas. We are the only state with large gas reserves without a severance tax. Only a small portion of the tax will be paid by Pennsylvania consumers as most of our gas is sold out of state.