

## Gov. Wolf's Proposed 2016/17 Budget – Talking Points – Feb. 9, 2016

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The commonwealth is facing a fiscal crisis. In an effort to put Pennsylvania back on track, Gov. Wolf's 2016/17 budget plan focuses on two primary goals: eliminating the structural budget deficit and funding schools. The governor's plan builds upon the bipartisan budget agreement that was poised for final passage in December.

His budget proposal this year again follows three themes: *Jobs that pay. Schools that teach. Government that works.* His budget proposal provides for critical needs and makes much-needed investments to get Pennsylvania back on track. It lays the groundwork for a brighter future, an educated workforce, a quality place to live and work, and new jobs that are competitive and pay good wages.

- **Pennsylvania is facing a crisis; its fiscal health is on life support.**
  - Faced with a fiscal crisis – including a \$2 billion structural budget deficit just to pay for the basics – the governor proposes a budget plan for 2016/17 to get Pennsylvania back on track.
  - Pennsylvania suffers from chronic budget deficits. The structural deficit has plagued the state for years; it did not appear overnight.
  - Pennsylvania's use of band-aids, one-time fixes, payment delays and other shell games to balance the budget over the years has only compounded the problem.
  - Absent the General Assembly enacting recurring revenues, cuts to state programs - such as education and human services - will be excessive and local property taxes will skyrocket.
  - The governor offers long-term solutions to close the budget gap and backfill, with sustainable and recurring revenues, the void left by the continued use of one-time budget gimmicks.
  - In many ways, this is a year of reckoning. Republicans and Democrats recognize the severity of the fiscal challenges.
  - About 73 percent of the proposed spending increase is driven by obligations that the commonwealth is legally required to pay – increases in debt service, corrections, human services and pensions - and to backfill previous one-time budget fixes.
  - We are at a point where we can no longer postpone making the tough decisions. There are no more easy answers. It's no surprise the plan calls for sustainable forms of revenue.
- **Gov. Wolf's budget proposal continues to restore many of the former administration's harsh budget cuts, including significant restorations in education.**
  - Gov. Wolf proposes a \$200 million increase in basic education; \$50 million increase in special education and \$60 million increase in PreK/Headstart.
  - School districts are in distress and quality education should not be dictated by a child's ZIP code.
  - To lessen the pressure on homeowners and local property taxes, the state must provide its fair share of overall education funding.
  - The governor proposes several charter school reforms to save districts an estimated \$230 million annually when the reforms are fully phased-in over three years.
  - Gov. Wolf calls for 5 percent increases in public institutions of higher education, with a goal to restore cuts over 4 years. Cuts in the past led to tuition hikes at a time when higher education is already unaffordable for many and college graduates are taking on huge debt burdens.
  - Gov. Wolf recognizes that access to quality, affordable post-secondary education is key to rebuilding Pennsylvania's economy.

- **Gov. Wolf’s budget proposal continues to restore the county human services program cuts by the previous administration.**
  - The governor’s plan restores, over three years, the \$84 million cut to our county run human service programs – mental health, intellectual disabilities, drug and alcohol treatment, homeless assistance and county child welfare - beginning with the first down payment in 2015/16.
  - Gov. Wolf proposes \$34 million in additional funding to combat the heroin and opioid epidemic.
  - To improve efficiencies, Gov. Wolf proposes to expand community-based services and implement the first phase of a new Managed Long-Term Care program.
  - The governor’s proposal also provides for the most vulnerable citizens, by reducing the waiting list for individuals with intellectual disabilities and autism.
- **Gov. Wolf proposes targeted investments to grow the economy and spur job creation.**
  - In order to grow the middle class, Gov. Wolf proposes targeted investments in proven programs to move the state forward and create new jobs.
  - He also calls for an increase in the minimum wage from \$7.25 to \$10.15 per hour, with an index to inflation – a measure that would lift many Pennsylvanians out of poverty.
- **Gov. Wolf’s budget plan includes measures to improve tax fairness, close the budget deficit and restore cuts in education and human services.**
  - The governor proposes a 6.5 percent severance tax, while preserving funds driven out to our local communities through the impact fee.
    - Every other major natural gas producing state in the country has a severance tax. Unlike the current impact fee, a severance tax reflects the real value of the natural resources companies are taking out of the ground.
  - The plan includes increasing the personal income tax from 3.07 to 3.4 percent. Pennsylvania would have the third lowest rate in the country of states that have a PIT – just above North Dakota and Indiana - and we would still have the lowest rate compared to surrounding states.
    - The PIT increase would cost the average household less than 50 cents per day.
    - To mitigate the affect the increase would have on low-income taxpayers, the governor proposes to increase the tax forgiveness provision.
  - The budget proposes to maintain the current sales tax rate, but expand it to a few new items: digital downloads, movie theater admissions and basic cable television.
  - The plan includes increasing the cigarette tax by \$1 per pack, from \$1.60 to \$2.60, and ending PA’s distinction as being the only state in the country that does not tax roll-your-own cigarettes and smokeless tobacco, and one of only two states that does not tax cigars (Florida is the other).
  - By modernizing the liquor store system to improve customer convenience, we can generate \$100 million in additional revenue for the budget.
- **The governor’s budget includes other key investments such as:**
  - Making the full, legally required pension payments and setting aside a portion of the state’s obligation in an account to help ensure the commonwealth makes its future payments.
  - Providing funding for three State Police cadet classes to maintain full strength of the trooper complement level and ensure public safety.
  - Identifying state government savings and efficiencies, and consolidating key government functions (e.g. merging Corrections and Board of Probation and Parole; moving CHIP to DHS).