



Budget Facts 2011

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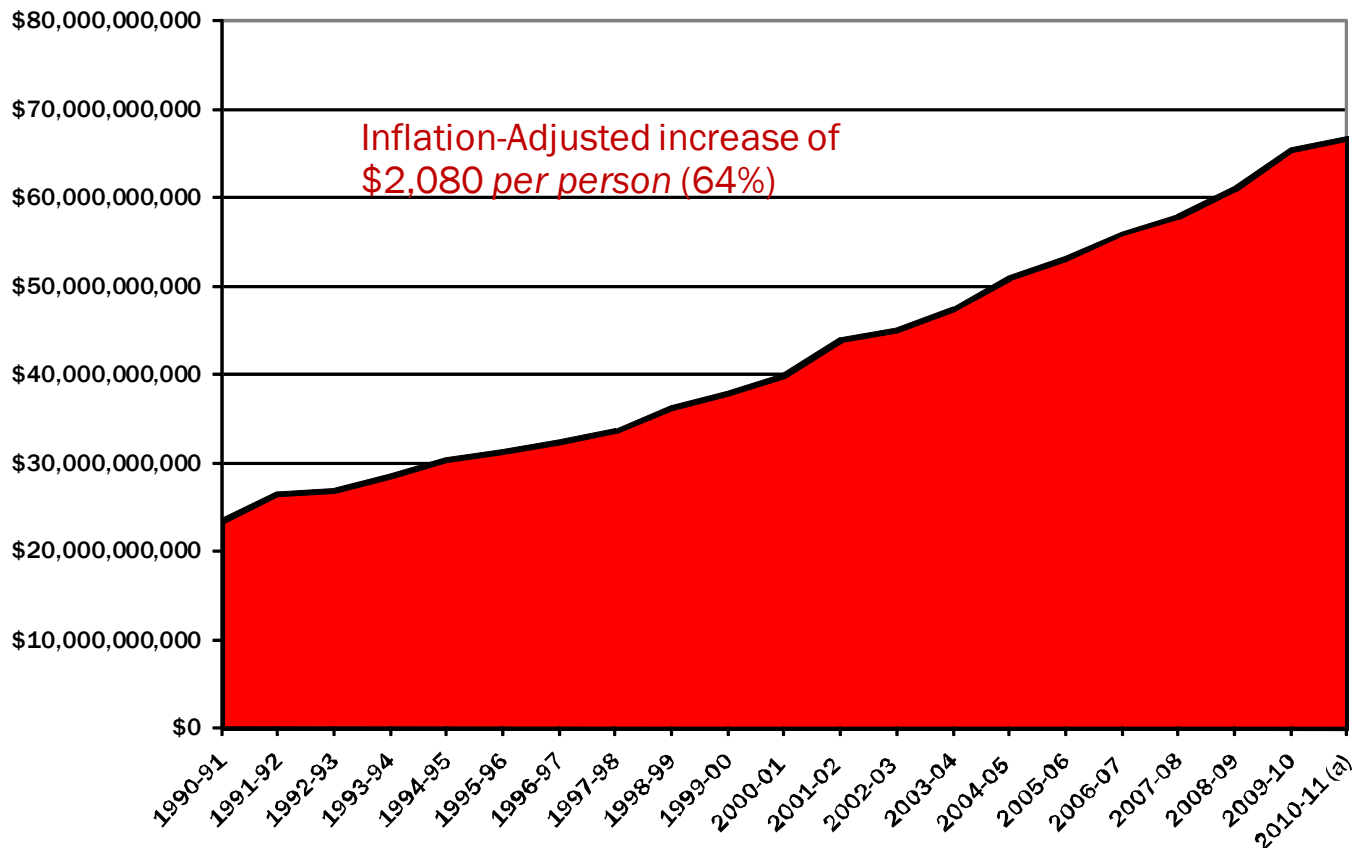
Pennsylvania State Budget Overview

Gov. Tom Corbett's FY 2011-12 budget proposal includes \$63.6 billion in total operating spending—\$27.3 billion in General Fund spending—a reduction of \$3.3 billion from FY 2010-11. This budget restores overall spending to pre-stimulus levels and proposes no new taxes. This is the first in a series of fact sheets on the state budget.

SPENDING OUTPACED INFLATION

- Since 1990, Pennsylvania state government spending increased 64%, an inflation-adjusted increase of **\$2,080 per Pennsylvania resident**.
 - ⇒ Under former Gov. Ed Rendell, the General Fund budget increased by \$8.1 billion, or 40.1% from 2003 to 2011, nearly double the rate of inflation (21%).
 - ⇒ If Pennsylvania had limited the growth of spending to inflation plus population growth over the last eight years, **the state would have a surplus this year** (without stimulus aid of \$3.1 billion) rather than a \$4 billion dollar shortfall.

Pennsylvania State Operating Budget, 1990-2011



- The FY 2010-11 budget relied on \$3.1 billion of temporary federal stimulus money and other one-time state revenue sources which have now been exhausted.
 - ⇒ The Commonwealth Court ruled the state must pay back \$800 million taken from the MCare fund to balance budget in FY 2009-10.
- Over the last eight years, Pennsylvania state debt increased 82%, from \$23.65 billion to more than \$42.94 billion. Today, Pennsylvanians owe **\$125 billion in total state and local government debt**.
 - ⇒ State and local government debt and long-term obligations amounts to more than \$15,000 for every resident, or more than **\$62,000 per family of four**.
 - ⇒ The state's Unemployment Compensation fund owes \$3 billion to the federal government.
- The Keystone State has the 10th highest state and local tax burden out of the 50 states, up from 24th in 1990, according to the Tax Foundation. On average **residents must work 104 days**—nearly one-third of the year—to earn enough money just to pay their federal, state, and local tax bills.
 - ⇒ Pennsylvanians pay \$4,463 per capita in state and local taxes (representing 10.2% of their income).

CORBETT'S BUDGET PROPOSAL

- **Total Operating Budget** (proposed) = **\$63.6 billion** (\$3.3 billion less than prior year)
 - ⇒ General Fund Budget (proposed) = **\$27.3 billion** (\$866 million less than prior year)
 - ⇒ Federal Funds = **\$22.2 billion** (\$1.7 billion less than last year, not including stimulus funds)
 - ⇒ Special Funds = **\$4.3 billion** (\$150 million less than prior year)
 - ⇒ Other Funds = **\$9.8 billion** (\$500 million less than prior year)
- Gov. Tom Corbett's proposed General Fund Budget is \$27.3 billion, a 3% decrease.
 - ⇒ Spending from expected state tax revenue is higher than in FY 2010-11—a \$2.2 billion increase—replacing a portion of the stimulus funds.
- K-12 Education spending is reduced by 10%—approximately \$1 billion—returning funding to pre-stimulus levels of \$9.2 billion.
 - ⇒ Gov. Corbett's proposal also calls for voter approval for school property tax increases above the rate of inflation and to relieve school districts from state education mandates.
- Taxpayer subsidies for universities are reduced by 50%, while PHEAA grants for students and community colleges are reduced by less than 2%.

WORK LEFT TO BE DONE

- Address Public Pension Crisis.
 - ⇒ Act 120 of 2010 delayed the pension “spike”—but taxpayer contributions will rise from \$500 million in 2010 to \$6 billion in 2015 and \$10 billion by 2030.
- Implement Medicaid Reform.
 - ⇒ Public Welfare spending would increase by \$600 million in the proposed budget, primarily in Medical Assistance (Medicaid) with a loss of federal funds and rigid federal rules.
 - ⇒ Overhauling Medicaid to reduce fraud, ensure long-term care benefits help the truly needy, and convert the system to one helping recipients purchase private insurance will save taxpayers billions.
- End All Corporate Welfare.
 - ⇒ The Redevelopment Assistance Capital Program (RACP) would be maintained, estimated to borrow \$270 million in FY 2011-12; economic developments programs would be consolidated into the Liberty Loan Fund; and the film tax credit and other funds for special interests groups would be retained.

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For more information on the **Pennsylvania State Budget**, visit CommonwealthFoundation.org/Budget.

