

Pennsylvania budget impasse nears possible resolution

By Douglas Lyons
15 December 2015

The Pennsylvania budget impasse is reportedly close to being resolved, with the state's first-year Democratic Governor Tom Wolf prepared to make a near-total capitulation to Republican congressional leaders on a slew of spending cuts and regressive tax increases that will diminish social spending, impoverish state workers, and lead to thousands of layoffs.

During the more than five-month-old impasse, in which the government has operated with ad hoc funding, expected payments have been withheld from nonprofits and public schools, hampering efforts to provide basic social services and education.

Although details have not been finalized, it is anticipated that the budget will be almost entirely dictated by Republicans to Wolfe, who won office last year by promoting illusions that he would reverse the austerity policies of his Republican predecessor, Tom Corbett.

Among the reported details include the following:

- * All newly hired state and public school workers will be enrolled in a hybrid pension plan, which provides an inadequate retirement for workers. According to the Keystone Research Center, "it would still cut retirement benefits for new teachers, nurses and other state workers by 10.5 percent." This plan will be gradually eroded in the future, ultimately leaving public school employees nothing but a 401(k).

- * The state-owned wine and liquor stores will be privatized either fully, or be under a private management firm. The destruction of jobs and wages will accelerate under this proposal.

- * Regressive taxation will be implemented through either raising the sales tax and/or personal income tax. The most recent framework includes increasing the income tax from 3.07 percent to 4.34 percent in

conjunction with more items being subject to the sales tax.

- * Property taxes are supposed to be decreased or outright eliminated. Such measures will mainly benefit large landowners and businesses.

- * More funding for education is the "progressive" detail which Wolf had used to sell the deal, but the deal will not provide more money for education.

Due to the budget impasse nonprofits have been suffering severe budget shortfalls. Anne Gingerich, executive director of the Pennsylvania Association of Nonprofit Originations, quoted in the *Nonprofit Quarterly*, said, "Organizations are getting to the point where they are about to shut off the lights."

Indeed, some have already had to turn away people who desperately need help. In Adams County, Survivors Inc., formed in 1982 as a domestic violence shelter, had a policy of never denying victims shelter or relief of any kind, but that has changed due to the shortage of state funds.

Survivors' CEO Terri Hamrick recently told PennLive.com that a domestic violence victim recently called the nonprofit and needed a place to stay, but there was nothing the organization could do to help. Hamrick doesn't know what happened to the caller or the children she cared for.

Financially, Survivors cannot fund 80 percent of its \$650,000 budget. State and federal funding cannot be allocated because of the impasse. As with other nonprofits, Survivors had to tap into a line of credit to pay its bills, borrowing roughly \$200,000. Of this sum \$65,000 has gone into collections and downgraded the credit rating of the company.

Since July, the organization has refused service to 105 adults, eight of whom were pregnant, and 153 children. Hamrick, quoted in PennLive.com, said, "If

this impasse is not resolved quickly, I fear there will be a body count. We're tasked with doing lifesaving work, and we can't do it right now."

To make matters worse, Hamrick reported, "Three toilets backed up recently and we couldn't get anyone to help because we owe money to everyone. We've had phones shut off, our garbage is no longer collected, and the impact on our credit rating will follow us for years."

As the negative social effects continue unabated, some counties have used cash reserves to provide some funding to nonprofits and social services, such as Bucks County, which has used \$50 million from its reserves. Officials have even decided not to make payments to the state from revenue collected in order to use it for social programs. Other counties are seeking legal advice on suing the state government to force it to fund social services for the elderly, children and mentally ill.

Public school districts are being subjected to the same financial deprivations. According to Democratic auditor general, Eugene DePasquale, since the start of the budget impasse school districts have borrowed around \$900 million from banks and that will exceed \$1 billion if the impasse continues into January.

This money can cover only so much, as some school districts are reporting they will close down after the holidays if funding is not restored. Greenville Area School District, located in Northwestern Pennsylvania, relies on state funds to fulfill 60 percent of its budget, leaving a massive hole since July 1. Leaders have repeatedly said they are being forced to make some very difficult decisions, with closing being openly discussed. Sharpsville and Burgettstown school districts are in the same situation.

The Head Start program, used to educate the youngest in the state, has been negatively affected, with federal funds also being withheld. According to the state Department of Education, 15 early childhood centers have been shut down. These schools had enrolled 538 children from low-income families. Parents now have to pay large sums for daycare or have to miss days of work to care for their children.

College students are not safe either. Due to the budget impasse state and federal grants used to cover housing, transportation, food and school supplies cannot be dispersed. Some universities have stepped in

to aid these students. East Stroudsburg University allowed students receiving state grant funding to have bookstore credit, while Penn State added the grants as credit for students. These acts, though, haven't fully alleviated the problem, as students do not have these funds, which also assisted them in paying for rent and bills.

What is most disturbing for those impacted by the budget impasse is that the legislators negotiating in Harrisburg have no sympathy for them, but only care that a deal includes the demands of the ruling class for further austerity.

Writing in *Forbes*, lobbyist Patrick Gleason made this clear: "But what's more important than finishing the deal soon is that any final deal include much-needed structural changes, such as pension reform and an end to the state's antiquated booze monopoly. It's equally important for the commonwealth's economic competitiveness that lawmakers avoid further soaking individuals, families, and employers with higher taxes..."

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