



Position Statement on 2016-2017 State Budget Proposal

BACKGROUND:

On March 23, 2016, almost nine-months after the Constitutional budget deadline, the Pennsylvania Legislature passed a budget that Governor Tom Wolf ultimately allowed to become law without his signature. In addition to being late, the budget did little to address the larger needs of the Commonwealth including ensuring adequate and predictable school funding; getting the ballooning pension obligations under control; and reducing property taxes, leaving citizens and businesses across the state little to celebrate.

Unfortunately, the outlook for the 2016-2017 budget cycle is no better. Pennsylvania is facing a structural deficit of nearly \$2 billion and to balance the budget, the legislature and Governor will need to either generate more revenue or reduce spending, or a combination of both. In either case, it is critical this is done transparently so taxpayers are aware of how they will be impacted.

On February 9th, Governor Tom Wolf outlined his perspective on the fiscal challenges facing the Commonwealth and the choices that lay in front of state elected officials. The proposal outlined two paths forward: 1) invest in human services and education, eliminate the structural deficit and raise revenue or 2) cause cuts to services and risk failing to meet the core functions of government. Unfortunately, what the plan options outlined fail to address is cost drivers within the Commonwealth.

The Lancaster Chamber requests that our elected officials seek reasonable and effective policy principles that will help to advance the Commonwealth. The Governor and the legislature must work together to get the 2016-2017 budget completed on or before July 1st, the start of the fiscal year. We count on our elected officials to negotiate, think long-term, be pragmatic and compromise. The uncertainty created by an impasse affects all sectors – from education to non-profit organizations to for-profit businesses.

The Pennsylvania Constitution mandates an annual on-time budget and we expect that our Governor and legislature will fulfill that obligation for the 2016-2017 fiscal year.

POLICY POSITION:

The Lancaster Chamber lifts up the following priorities to be addressed:

- Pension Reform:
 - Pennsylvania's unfunded pension liability now exceeds \$50 billion and because of past policy decisions, this unfunded liability will continue to grow, even as pension contributions continue to rise. Taxpayer costs for pension contributions have been rising, and that trend will continue over the next few years. In the General Fund, pension contributions were projected to increase from \$1.7 billion to more than \$3.3 billion – an increase of nearly 97% - by 2019-2020.
 - The Governor and the Legislature have a responsibility to the families, students and taxpayers of Pennsylvania to address the long-term stability of our public and school pension systems.
 - It is irresponsible to further delay making substantial reforms to pension costs for state employees, school employees and legislators.
 - The Commonwealth's bond rating has been downgraded multiple times due to our unfunded pension system and the structural deficit it creates. Continued budgetary structural imbalance, a failure to boost the adequacy of pension funding and an inability or unwillingness to make difficult fiscal decisions have been cited as reasons for the downgrades.
- Two-Year Budget Cycle
 - The Chamber supports efforts to transition to a two-year budget cycle in an effort to create more efficiency and productivity in state government. This measure would amend the Pennsylvania Constitution, requiring legislative approval in two consecutive sessions before receiving final approval in a voter referendum, but would encourage long-range planning among state agencies and provide more fiscal certainty to educational institutions, agencies and those doing business with the Commonwealth.

As an advocate for the Lancaster business community and a strong economy, The Chamber calls for the creation of a responsible and on time budget for the Commonwealth – one that is fiscally accountable by addressing pension reform; incorporates innovative ideas and sound practices; and that ultimately supports the most efficient and effective state government.

Approved by the Board of Directors on 4.19.16.