Lancaster Chamber
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Position Statement on 2017-2018 State Budget Proposal

BACKGROUND:

Pennsylvania is facing a structural deficit of nearly $3 billion and a budget gap around $1 billion – the worst budget gap since 2010. 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 7th, 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 focused on the following priorities: Schools That Teach, Jobs That Pay, Government That Works. It also aims to streamline government programs and generate efficiencies.

Unfortunately, in recent years, the budget has done little to address the larger needs of the Commonwealth including getting the ballooning pension obligations under control; reducing property taxes; and addressing the structural deficit, leaving citizens and businesses across the state little to celebrate.

The Lancaster Chamber expects that our elected officials will seek reasonable and effective policy principles that will help to advance the Commonwealth. The Governor and the legislature must work together to get the 2017-2018 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.

POLICY POSITION:

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

- **Pension Reform:**
    - Pennsylvania's unfunded pension liability is nearly $70 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 is continuing. In the General Fund, pension contributions were projected to increase from $1.7 billion to more than $3.3 billion by 2019-2020. From 2011-2018, the pension share of General Fund expenditures went from 2.5% to almost 10%.
    - 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.
    - 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.
    - This is a crisis for our Commonwealth and it is irresponsible to further delay making substantial reforms to pension costs for state employees, school employees and legislators.
    - **The Legislature must advance a plan that comprehensively addresses the pension crisis, inclusive of placing new hires into a defined contribution plan and providing a dedicated funding stream to the unfunded liability immediately in order to retire the debt before current law would suggest.**
- **Two-Year Budget Cycle:**
    - **The Chamber supports the 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 and reducing the pension liability; incorporates innovative ideas and sound practices; and that ultimately supports the most efficient and effective state government.

Approved by Advocacy Committee on 5.5.2017.
Approved by the Board of Directors on 5.16.2017.