



## **News for Immediate Release**

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### **Governor Corbett Unveils 2011-12 Budget, Balanced and Built on Fiscal Discipline, Free Enterprise, Limited and Transparent Government**

**Harrisburg** – Today, Governor Tom Corbett presented his 2011-12 budget to the state legislature – a budget that is balanced and does not raise taxes for the residents of Pennsylvania.

“I’m proposing something we haven’t had in a long time: a reality-based budget,” Corbett said. “To the people of Pennsylvania, the taxpayers who sent us here, I want to say something you haven’t heard often enough from this building: We get the picture. It’s your money.”

“The electorate, its trust scraped to the bone by lies and half truths, isn’t going to stand for another broken promise,” Corbett said. “I said we’d cut. I’m not asking you to read my lips. I’m asking you to read my budget.”

Specifically, the new, \$27.3 billion budget focuses on improving four key elements: fiscal discipline, free enterprise, limited government and reform.

“Government will never be cost-free. But it must be freed from the culture of churning through cash that farmers and clerks and mill hands and nurses earned dollar-by-dollar. They know the value of their money better than we do,” Corbett said. “We need to be better stewards of their wealth.”

The new budget cuts government spending by 3 percent, most of which is done by consolidating programs, targeting inefficiencies and reducing or eliminating discretionary financial grants.

It maintains, and in some cases expands, programs to protect its people and provide services, including care for the commonwealth’s neediest citizens, supporting our State Police and military troops as well as making schools safer for our children.

Incentives will be offered to encourage growth and improvements in Pennsylvania’s business communities and education system.

Facing a \$4.16 billion deficit, hard choices had to be made. Some programs supported by the state for years were cut.

"In past years we have seen one-time gimmicks and sleights of hand. Harrisburg raided the Rainy Day fund. It's gone... and it's still raining. They applied federal stimulus money to the operating budget. The only thing it stimulated was the appetite to spend more," Corbett said.

"We have to change the culture of this place. It means we stop the one-time fixes and gimmicks that have barely held the machine of government together," Corbett said. "It's time to peel off the duct tape and get to work on what's broken underneath."

Here is how this will be accomplished:

### **Fiscal Discipline**

"Fiscal discipline means no new spending," Corbett said. "It's easy to find a reason to spend. Now we have a reason to stop."

That means:

- No tax increase and no relying on one-time gimmicks, like borrowing from one fund to pay for another program. This returns state spending to nearly 2008-09 levels.
- Eliminating budget line items for a savings of \$850 million, including discretionary spending money commonly known as "walking around money," or WAMs.
- Consolidating additional appropriations to streamline state government and providing flexibility to grant recipients. Cutting administrative costs and keep working to continue reducing state spending. Already, per diems for employees have been eliminated, the vehicle fleet is being reduced, existing boards and commissions are under review.
- Focusing on core function of education. Specifically, initiating review of early childhood programs to maximize funding impact and create school choice educational opportunities. The Basic Education Funding subsidy is reset to the 2008-09 level, the last year before federal stimulus funds were available. This results in an average annual increase of 2.8 percent in this funding over the last 10 years. In addition, the budget proposes initiatives to give school districts increased flexibility and tools to improve student performance.
- At the same time, cutting funding for state-supported universities, holding them accountable for spending and performance. The goal of higher education must be about making colleges efficient, excellent, affordable and responsive to students.
- Asking officials in public schools to hold the line on pay increases, like many working people in the private sector. A one-year freeze on pay increases for

public school employees could save school districts across the state \$400 million.

- Asking state employees to negotiate in good faith. Salaries have risen for government employees and those at state-related universities, but not for people in the private sector. We will be looking for salary roll backs and freezes as well as increasing contributions to healthcare benefits and beginning discussions about repairing our public retirement systems.

### **Limited and Transparent Government**

“Limited government means not mistaking someone else’s property for your own,” Corbett said. “Our job isn’t to spend; it’s to conserve. Our job isn’t to buy off our problems; it’s to solve them.”

This includes:

- Providing more budget, capital and workforce information in a user-friendly format online, including expenditures and performance measures. Creating an online budget “dashboard,” to put citizens in the driver’s seat, so they can view the budget, track spending and revenue sources – and make government more accountable to the taxpayers.
- This budget was built on a reality-based approach to ensure that all programs prove their effectiveness and continue to prove that effectiveness in the years to come. At the same time, it focuses our resources on basic needs and responsibilities of state government, such as public safety, education and a human services safety net.
- Establishing a new governor’s privatization task force to determine which government functions might be unnecessary and might be better done by the private sector. Not to eliminate government, but to eliminate unnecessary government.
- The budget reduces the cost of general government operations by more than 2 percent, to meet the governor’s commitment to reduce administrative spending by 10 percent over four years. It also eliminates 1,500 state positions.

### **Reform**

“We have an obligation to get things right,” Corbett said. “To set straight that which is crooked, to balance scales too long tipped out of balance by the quick fix and the easy answer.”

To accomplish this, we propose:

- Education reform will expand quality options for students and their families in public and private schools, supporting tax credits, charter schools, dual enrollment for secondary students and other avenues for individualized learning.
- In addition, education reform means cutting bureaucratic strings to empower local school districts to impose economic furloughs, increase bid size limits, alter advertising requirements and eliminate support for master's degree salary "bumps."
- Property tax reform. We suggest that if school district officials propose new property tax increases greater than the rate of inflation, that it be put on the ballot. Let the citizens decide how their local tax dollars are spent.
- Legal and Tort Reform. Excessive and frivolous lawsuits hinder job growth and hurt taxpayers by increasing costs for business, healthcare, consumer goods and services. Pennsylvania should no longer remain one of the few states where the legal system can hold a person, company or local government agency liable for 100 percent of the damages despite having had only a minor role in any incident resulting in a lawsuit.
- Reinstating the phase-out of the Capital Stock and Franchise Tax until the tax is eliminated in 2014. Laying the foundation for more job-creating tax cuts, reducing the corporate net income tax, eliminate the inheritance tax and the cap on net operating loss allowance.
- Regulatory reform. To maintain economic momentum and competitiveness, state government needs to evaluate its permit process, eliminating backlogs and expediting actions that may result in the creation of jobs.

## **Public Health and Safety**

"If there's one place you sometimes want government, it's on a lonely road," Corbett said. "We need that protection -- plain and simple."

This includes:

- The budget seeks to expand the crime and violence prevention efforts, including maintaining the Pennsylvania State Police by funding two new classes of troopers.
- Allocating \$2 million into the Safe School Initiative.
- Health funding will be focused on treatment and services for rare disease management, emergency preparedness, cancer and newborn screening, special medical, maternal and child health programs.

- Addressing consumer needs for quality, flexibility and service, while promoting competition among service providers.
- Rebalancing Pennsylvania's long-term living system, maximizing federal programs, expanding consumer-directed care, focus on personal responsibility, broaden and improve service options and coordination.
- Making Pennsylvania's programs consistent with other state Medicaid programs, making sure access is limited to those who are eligible and truly in need. Maintaining fiscal accountability and linking payment to quality outcomes.
- Funding will be increased for the medical care, education and training of state prison inmates. Additionally, \$3.4 million has been appropriated to hire 53 additional parole officers. Together, the initiatives aim to help more inmates make the success transition back into society after prison.
- Consolidating and streamlining criminal justice programs, including juvenile probation, violence prevention and intermediate punishment programs to provide flexibility and improve outcomes.
- Fully funding programs for our military troops and veterans.

### **Free Enterprise**

"We have set a goal. We're looking for results. We're looking for new jobs," Corbett said. "I'm determined that Pennsylvania not lose this moment. We have the chance to get it right the first time, the chance to grow our way out of hard days."

Such initiatives include:

- Supporting programs that will encourage economic growth and job creation, here and around the world, through marketing initiatives and advertising.
- Streamlining a multitude of business incentive programs. More than 125 programs have been consolidated into 56, eliminating line items that produced nothing but spending.
- Awarding tax credits as incentives for new and creative ideas to improve business and industry, as well as technology and products to increase the state's economic vitality and competitiveness. Winning ideas win government backing.
- In agriculture, helping expedite permit reviews to speed up projects that create jobs for farmers.

- Creating a Marcellus Shale Commission, with Lt. Gov. Jim Cawley at the head, to oversee building this new industry, while protecting our land, our drinking water and our workforce.
- Retaining tax credits for new and growing industries, like the film industry, like agricultural research, like chemical firms. It includes no tax on Marcellus shale extraction, an industry projected to add \$10 billion in economic activity to Pennsylvania's economy this year.
- We're recommending more flexibility for school districts by allowing economic furloughs, raising the minimum bid threshold limit, changing advertising requirements and other cost-saving measures.
- Broadening teacher certification requirements, opening doors to talented people who want to contribute skill and experience.

"We said we'd fix this mess. We said we'd make it better," Corbett said. "Let's sit down and deal with the present so we can build the future, in a way that respects our past... Let's build a new Pennsylvania."

To review the budget in its entirety, visit [www.budget.state.pa.us](http://www.budget.state.pa.us).

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