



News for Immediate Release

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Governor Corbett's Budget Focuses on Fiscal Restraint, Free Enterprise

Harrisburg –Governor Tom Corbett today presented his 2012-13 budget to the General Assembly, asking legislators to continue the path of fiscal restraint and to encourage free enterprise for a more prosperous Pennsylvania.

"Last year, we accomplished much of real consequence. For the first time in 40 years, we spent less," Corbett said. "Pennsylvania took its first steps toward changing the culture of tax and spend. Together, we showed we can make reforms that count. It is time to show citizens, weary of empty promises...that we can accomplish more.

"Today I bring before you a budget grounded in difficult realities but framed in the optimism that we are solving our problems," Corbett said. "Once again, revenues do not match mandated, escalating costs. That means we must continue the course bravely charted by this assembly in the year just passed."

The \$27.14 billion proposal maintains Corbett's commitment to balance the state budget. The budget closes a projected revenue shortfall of more than \$700 million and reduces spending by more than \$20 million. It meets the state's pension obligations and does not raise taxes for residents or businesses.

"Every dollar taken in tax is one less dollar in the hands of a job-holder or a job-creator," Corbett said. "We will not spend more than we have. We will not raise taxes. We can't ask people to travel the road to recovery and then turn around and add to the burden they must carry along the way."

Most importantly, this year's budget begins to transform the way government delivers products and services through greater use of block grants giving greater control and flexibility to the recipients, including local governments, community organizations and school districts.

The proposed budget focuses on five key areas: economic opportunities, education, human services, public safety and streamlining government.

Economic Opportunities

"Business creates jobs where it feels welcome. Citizens live best when they are employed and don't live in the constant fear that what they earn will be taxed away," Corbett said. "Our unemployment rate dropped by almost a full percentage

point from the end of 2010 to this very moment, and, as the year began it was still nearly a full percentage point below the national average.

"This is the road to recovery. We are on it. It sometimes runs uphill but, thanks to your partnership in the past year, Pennsylvania is going in the right direction. We must not turn back now."

Some initiatives include:

- Continuing the phase-out of the Capital Stock and Franchise Tax which impacts the competitiveness of virtually every company in the state.
- Maintaining tax credit programs such as the Research and Development Tax Credit, Job Creation Tax Credit, Film Production Tax Credit and Neighborhood Assistance Tax Credit.
- Continuing the work on the Delaware River channel, which encourages business growth to the Port of Philadelphia and surrounding areas of the southeast.
- Encouraging energy-producing businesses that will generate jobs. As a side benefit, the state's abundant supply of natural gas reduces home-heating costs for Pennsylvanians who use the clean fuel.
- Creating programs that will support employers and workers, such as JOBSFirst PA, which invests in small and large businesses, offering initiatives to cultivate and create new industries and jobs.
- Providing employer-driven, on-the-job training opportunities for unemployed workers through a program called Keystone Works.

"Pennsylvania competes with every state in the union for factories, offices and corporate headquarters," Corbett said. "The shorter we make the journey from the drawing board to the ribbon cutting, the better our chances of growing jobs."

Education

"I want our public schools to work, to accomplish what we ask of them, and to do it for every student of every background in every part of the state," Corbett said. "There has been some confusion, even deception, about what we did and did not do with the Basic Education formula last year.

"Here is the truth: When the Obama administration handed states billions of dollars in stimulus monies, the previous administration reduced the state's share of Basic Education funding formula. In its place they put the stimulus funds – almost a billion dollars worth. These funds were one-time only earmarks by the president... That money is gone. It's not coming back."

The proposed budget provides a slight increase to funding Basic Education through consolidation of several programs. The result is to give spending discretion back to the local school districts.

Other initiatives include:

- Funding for student, teacher and administrator assessments and evaluations that will ultimately result in better schools. This new accountability system includes public school districts, career and technical centers, charter schools and cyber charter schools.
- Increasing funds to improve data collection, so that state money will be correctly sent to the school based on current enrollment and actual student attendance.
- Reducing funding for Pre-K Counts program, through administrative savings and program modifications. The reductions do not impact the number of children served. Funding is increased for Early Intervention programs to \$206.2 million.
- Providing more than \$50 million for libraries across the state.

One of the challenges of creating a balanced budget is school district pension costs. This year, the budget includes a \$315 million increase, or 53 percent, in the state's contribution to the Public School Employees' Retirement System.

"We need to open the discussion about how best to finance higher education in this state. We need to have a thorough, public, and candid conversation about how best to deal with the spiraling costs and our own obligations," Corbett said.

Corbett quoted comments made by President Obama last month:

"If you can't stop tuition from going up, the funding you get from taxpayers will go down. Higher education can't be a luxury...it's an economic imperative that every family in America should be able to afford."

"I think he is right that we need to confront the problem," Corbett said. "I think we need to talk about this honestly and without rancor and dramatics."

As a start, Corbett has created an advisory panel on higher education to evaluate the system in Pennsylvania. It will make recommendations on what is needed or not needed, and how our universities can best serve the students and the citizens.

The budget also will:

- Sustain funding for higher education programs which directly result in job placements through such specialized institutions as Thaddeus Stevens and Penn College of Technology.

- Create a Targeted Industry Cluster Certificate Program for high-priority occupations. This program will provide grants to students enrolling in certificate programs that are accepted by targeted industries, such as energy, agriculture, building and construction.
- For Pennsylvania’s veterans, the budget maintains a \$13 million commitment to help military personnel with the cost of higher education.
- Provide the following funding for state-related and state universities: Penn State University, \$194.6 million (a 1.6 percent decrease of its operating budget); Temple University, \$97.9 million (a 1.8 percent decrease of its operating budget); University of Pittsburgh, \$95.2 million (a 2.1 percent decrease in its operating budget); State System of Higher Education, a total of \$330.2 million (a 3.8 percent decrease of its operating budget).
- Three other institutions will be level funded: Penn College of Technology, \$13.58 million; Lincoln University, \$11.16 million; and Thaddeus Stevens College of Technology, \$10.33 million.

“Maintaining our commitment to the technical professions and practical trades keeps a bargain with today and builds for tomorrow. As our energy sector expands and manufacturing revives, Pennsylvania needs a trained workforce ready to meet the demand for workers,” Corbett said.

Police and Public Safety

“Citizens of the commonwealth must be protected. If we have no other job maintaining civil order is it. Without safety there can be no society,” Corbett said.

This budget includes:

- Funding for a new Pennsylvania State Police cadet class of 115 troopers and to maintain civilian support staff.
- Level funding for Department of Corrections for the first time in more than a decade. Corrections will implement numerous cost containment programs, including better overtime management and partial hiring freeze.
- Funding to the state Fire Commissioner to expand training activities for volunteer fire companies.
- Homeland security operations have been integrated into the Pennsylvania State Police, consolidating intelligence and law enforcement technology.
- Increased funding for PA Board of Probation and Parole personnel, which supports the transition from incarceration to community, while still protecting the public.

Health, Welfare and Human Services

"We have a duty to care for and to protect those among us who cannot fend for themselves," Corbett said.

The budget is built to transform the public welfare system, to streamline it into a performance and accountability-based operation that will provide a safety net for those who truly need it.

By merging several separate budget lines into one block grant, the state will give counties the flexibility they need to identify their most pressing needs and apply funds as they know best.

"All of these adjustments have been done with an abiding belief that the best route from the welfare line is to the work line by focusing on job creation. There is no other sensible way," Corbett said.

This includes:

- An increase of 4.4 percent, or \$101.6 million, to the Children's Health Insurance Program, providing health insurance to nearly 200,000 children.
- Using increased federal funds to support young adults, aged 18 to 21, in foster care; and implementing a \$1.7 million program to protect physically and cognitively impaired adults.
- Saving \$149 million by eliminating cash assistance benefits and saving \$170.3 million by revising eligibility criteria for medical assistance benefits. Changes include minimum work requirements and tightened definitions of medical conditions.
- Saving \$168.4 million by consolidating multiple human services programs into a single block grant, giving counties the flexibility to move funds where they are needed most.
- Implementing a system to identify waste, fraud and abuse in high-cost cases, saving \$50 million.

For older Pennsylvanians, the budget includes: \$4.7 billion for home and community-based services as well as nursing home care; \$244.8 million for pharmaceutical assistance; \$286.1 million for the Property Tax/Rent Rebate program, \$81 million for transportation programs and \$2.1 million for fresh food coupons.

Streamlining Government

“Reform means understanding this simple truth: when you don’t have enough to spend, you spend less,” Corbett said. “These tough decisions will lay the groundwork for the prosperity of tomorrow. We cannot allow the debts of today to crowd out the dreams of tomorrow. If we don’t act to reconfigure government and revamp how it provides services, we will find ourselves trapped in this same box every year.”

That means:

- Public improvement projects for state-owned buildings and facilities will be reduced by 50 percent, to slightly under \$200 million. Spending can be prioritized to where it’s most needed and to projects that will have the greatest impact on Pennsylvania’s economy.
- The Department of Community and Economic Development will be combining data and information relating to local property taxes and municipal pensions.
- In the area of criminal justice, the Department of Corrections, Probation and Parole, Pennsylvania State Police and the PA Commission on Crime and Delinquency are combining resources in research.

The budget continues efforts begun last year, Corbett said, to streamline government through merging, consolidating and realigning a number of programs and agencies.

Revenue, which in the past went into specific projects, will now be redirected to fund other programs. For instance:

- Cigarette tax revenue of \$20.5 million that previously supported Farmland Preservation and \$6.5 million previously directed to Alternative Fuels Incentive Grant program will both remain in the general fund.
- Approximately \$59 million in Tobacco Settlement Fund revenues will offset long-term care costs in the Department of Public Welfare.
- Revenues of \$38.6 million which previously supported programs in the Department of Conservation and Natural Resources, as well as maintenance projects at the State System of High Education, will be redirected to the general fund.

“We need a budget that employs simple honesty for the common growth of our commonwealth,” Corbett said. “We must continue the journey that will turn the road to recovery into the path to prosperity.”

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