



New budget, old problems

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State lawmakers met one of Gov. Ed Rendell's principal conditions for a new budget when they agreed to continue increasing the state's share of public education funding statewide. The commitment of more than \$300 million keeps the state government on a six-year path to meet that goal.

Mr. Rendell's only other condition was that the budget include enough new "recurring revenue" - new taxes and other sources of revenue for multiple years - to prevent a repeat next year of this year's budget fiasco.

On that score, the new budget is far less certain. Rather than recurring revenue, the budget could trigger a recurring nightmare.

The state constitution requires the budget be balanced and this one meets that standard, at least on paper. But it does so through the use of one-time revenue sources and projections for new revenue that are far from cast in stone.

In order to cover revenue shortfalls, the budget uses \$2.6 billion in federal stimulus money, including \$655 million for education funding. That is not recurring revenue for the long term.

Beyond that taxpayer-provided gift from Washington, the budget uses more than \$700 million from a fund that had been dedicated to paying medical liability premiums for most doctors in Pennsylvania, and another \$755 million from the "Rainy Day Fund." Mitigating deficits is the purpose of the Rainy Day Fund, but neither it nor the redirected money from the medical liability fund will be available next year. The budget also moves smaller amounts of money from other funds that had been dedicated to specific uses.

The principal piece of new recurring revenue is supposed to be an estimated \$200 million from the addition of table games at the state's casinos. But a law to authorize that has not even been passed, and there is deep disagreement within the Legislature on the amount of license fees and the table games tax rate. So the revenue figure is an optimistic guess.

Compounding it all is that 2010 is an election year for the entire House and half of the Senate. Lawmakers who were reluctant to raise taxes this year will be even more so next year.

If the economy finally starts to improve, state revenues will increase and the problem could be somewhat mitigated. But that also is far from certain.

Coupled with the skewed priorities that result from dealing with the budget as an emergency rather than as fundamental business, the political landscape next year could produce a budget season just as ugly as that which just passed.

Lawmakers should resolve now to get to work on next year's budget as soon as the governor introduces it in February.