Budget Games
June 6, 2007

by Dr. G. Terry Madonna and Dr. Michael Young

There are few governmental events more widely reported in Pennsylvania than the annual budget war. The dollar amounts are astronomic--state government expends more than 50 billion dollars. The budget negotiations are murky, secretive proceedings, and the stakes, both policy and personal, are enormous. Political careers and reputations rest on budget outcomes.

Never dull, this year’s annual budget melodrama comes complete with an exciting plot complication that has riveted the attention of official Harrisburg. Many fear that the new fiscal year budget is going to be late.

How late?

The 2007 fiscal year begins on July 1st. But you will be hard pressed to find many in Harrisburg that expect the budget to be passed on time. Guessing when it might finally be passed has become a serious Harrisburg pastime, with seasoned observers estimating it might be as late as the Christmas holidays.

The guessing game is serious business. A protracted budget stalemate conjures up policy and personal nightmares. Thousands of workers would be laid off. The funding for state programs would be halted. Education dollars would be held up, and public confidence in state government would plummet. Yet, many now consider this ominous scenario likely, if not inevitable. Nor is the state’s budget history reassuring.

Indeed, the Rendell administration has not had any of its budgets passed on time since it took office; moreover, we have had these executive-legislative shoot outs before. The last major one was in 1991, and it closed down major parts of state government well into August.

It could happen again this year, but close analysis suggests it won’t. This year the Governor is likely to get a budget to his desk on time, and he’s likely to sign it. Worst case scenario: Pennsylvania might meander budget-less into July, but that’s it. The year 2007 will be remembered as the budget crisis that never happened.

This contrarian conclusion deserves some explanation. Why is a widely anticipated budget impasse unlikely to occur?

The best answer is that playing chicken is rational only when you are sure that you won’t be the one that blinks. And a game of high stakes chicken is precisely what has been going on. It’s a game in which neither side can now be sure what the other will do, while both understand that the consequences of shutting down the government will incur a higher price than either side can pay. In short, the Governor is not a fool--nor is the legislature suicidal.

These last points require some elaboration.

Rendell’s political savvy is key here. The Governor may seem contradictory and inconsistent at times, but this is the consummate caprice of the practiced professional, at bottom Rendell is a hard-headed realist burdened
with political skills, prominently among them the ability to do political arithmetic. And the political arithmetic is just not good for him right now.

The legislature has one in five members who are new. Many ran against not just pay hikes, but tax hikes, gambling, and anything else that smacks of an expansion of government, such as Governor Rendell’s ambitious second term agenda. And it’s not just the rank and file, but the leadership that’s new as well. A more conservative Republican caucus controls the Senate, and the Democrats hold a one vote, threadbare margin in the House. Moreover, there is virtually no appetite for the significant tax increases that would be required to move Rendell’s ambitious agenda forward.

Likely scenario: Rendell takes a few nominal wins and modest program expansions, funding them with the expected $500 million in surplus and maybe some of the rainy day fund--then folds to fight another day.

But there’s more. Even if the wily Rendell would play a bit reckless, the legislature itself is only just recovering from its own near-death experience following the pay raise ruckus; it is unlikely to want to peer into the valley of death so soon again. In other words, our elected representatives who want to stay elected aren’t anxious to remind us how angry we were with them just a few months before. And producing a budget standoff that shut down state government would do exactly that.

Doubters may want to contact Pennsylvania’s own Newt Gingrich for some advanced commentary on that point. Gingrich, while Speaker of the U.S. House in 1996, orchestrated a budget impasse that shut down the federal government, enraging most and probably ensuring the reelection of Bill Clinton.

Cold war historians will find an amusing parallel here to the strategic nuclear exchange standoff that existed for decades between the U.S and Russia. Together, both countries possessed weaponry that could destroy the other if attacked. Referred to by the acronym MADD for “mutually assured destruction deterrence,” neither the Soviets nor the Americans were willing to risk it all--no matter how much they would have liked to cream the enemy.

Governor Rendell and the state legislature are having their own MADD moment now. Neither would mind seeing their respective opponent step off the political cliff, but neither wants to risk going over the side too. The happy consequence is that a protracted budget impasse and the shut down of state government seem more and more unlikely.

------------------

Politically Uncorrected™ is published twice monthly. Dr. G. Terry Madonna is a Professor of Public Affairs at Franklin & Marshall College, and Dr. Michael Young is a former Professor of Politics and Public Affairs at Penn State University and Managing Partner at Michael Young Strategic Research. The opinions expressed in this article are solely those of the authors and do not necessarily reflect the opinions of any institution or organization with which they are affiliated. This article may be used in whole or part only with appropriate attribution. Copyright © 2007 Terry Madonna and Michael Young.