Ed's Big Ideas
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by Dr. G. Terry Madonna and Dr. Michael Young

Governor Ed Rendell is generally considered to be a pretty solid guy. But you have to wonder lately if he is beginning to act a little bit odd, maybe a tad strange. Take the matter of "second terms." Everyone knows that the second term is a time to slow down, take a breather, consolidate the gains from the first term, and smell the roses a little. Rendell doesn’t seem to grasp this point at all.

Or take the simple notion of "lame duck," a perfectly straightforward political expression understood by even political tyros to signify a politician whose power is dimming as his time in office grows shorter. Lame ducks are supposed to produce lame agendas too, to not try to accomplish much when not much is expected of them.

Rendell apparently doesn’t understand how lame ducks behave either. That was most apparent recently when Rendell, the second termer—can’t run for another term—lame duck in waiting, stood before the legislature and proposed the single most ambitious, aggressive, and bold budget ever proposed by a Pennsylvania governor.

Among Rendell’s budget proposals, he would:

- Increase the state sales tax from 6 percent to 7 percent
- Impose a new 3 percent payroll tax on employers who do not provide employee health benefits.
- Provide 800,000 uninsured people with low-cost health insurance.
- Raise $850 million in bonds to encourage alternative energy development and energy conservation.
- Create a $500 million Jonas Salk Legacy Fund to foster biomedical research, funded by tobacco settlement revenue.
- Lease the Pennsylvania Turnpike to raise $965 million for roads.
- Tax oil companies’ profits to raise $760 million for mass transit.

Rendell claims all this requires a 3.5% increase in overall spending. The Commonwealth Foundation is clocking it at almost 10% per family of four. The real increase is probably closer to the higher figure, but by any measure it is an ambitious and aggressive budget.

Clearly the Governor has some very big ideas. But is he also quixotically tilting at political windmills? Has he hopelessly overreached himself?

Not necessarily!

It seems clear that Rendell is having a "carpe diem moment," seizing the opportunity presented by his own landslide victory, the reform zeitgeist now established across the political landscape, and not so incidentally his own hopes for a legacy fit to mark his remarkable political career.

Historical comparisons are relevant here. Rendell’s budget will be compared to Casey’s 1991 budget that proposed a billion dollars in new taxes, a budget that Vince Carocci, Casey’s top aide, called "the budget from hell." He will also be compared to Milton Shapp, whose 1970 budget proposed Pennsylvania’s first income tax. But even these historical benchmarks don’t capture the daring and audacity of Rendell’s proposals. Both
Casey and Rendell were responding to fiscal crises of the severest magnitudes. For Shapp, the state faced literal bankruptcy, and for Casey, the consequences of inaction would have been catastrophic.

Rendell faces no such imminent crisis; this is no defensive budget to stave off financial catastrophe or move the state back to a sound fiscal footing. It is instead an attempt to move the state aggressively into more responsibility for education, transportation, healthcare, and assuming school financing burdens. It is, if fully enacted, a budget that would revolutionize the way state government does business in Pennsylvania.

But does Rendell expect it to be fully adopted? His first term is instructive. The initial two years of the Rendell governorship were marked by big debates over Rendell’s other big ideas--property tax reform, education innovation, and economic development.

Overall, Rendell won much of his agenda, largely because he compromised. He wanted statewide property tax reform paid for by an increase in the state income tax. Instead, he got an optional local plan funded by a major extension of gambling. He wanted more than $600 million for his education initiatives and $2.2 billion for economic development; instead, in the end, he settled for less.

These lessons from the first term have not been forgotten. Rendell may have brought casino gambling to Pennsylvania, but it is Rendell the riverboat gambler who is shuffling the deck for this game. He will bluff when he can and compromise when he must. But for now he is going to play the cards he has--and his hand looks like a strong one.

That is propitious for Rendell, but is it also propitious for Pennsylvania? Is it a budget that will move Pennsylvania forward into the 21st century--financially stable, ready to compete in world markets, caring compassionately for its citizens, and attractive for businesses and commerce?

Or is it a budget that will further burden Pennsylvania’s tax weary citizens, undercut the state’s economic competitiveness, and hasten the ongoing decline in jobs, employment, and population growth. (According to the Commonwealth Foundation, the state is currently 35th in job growth, 43rd in personal income growth, and 42nd in population growth.)

These are the questions we should be discussing in the weeks and months between now and the constitutionally mandated start of the new budget on July 1st. Some will like Rendell’s proposals, others will not. But love it or hate it, Rendell has laid out his vision for Pennsylvania as we enter the 21st century. It’s now our turn.

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