G. Terry Madonna & Michael L. Young

The new Pennsylvania budget—love it or hate it, we now own it. Literally at the stroke of midnight on June 30, Tom Corbett and his GOP legislature accomplished what no one had the past eight years. They passed a budget on time.

The state has metaphorically torn up its credit cards and put itself on a diet. In the new fiscal year, we will save more and spend less—interrupting a steady trend of upward state spending stretching back to the 1970s.

But is this good or bad, fish or fowl, hopeful or hopeless? These are all questions yet unanswered.

On the one hand, we are now living within our means, perhaps for the first time in nearly a decade. The new budget raises no new taxes, imposes significant program cuts, and tackles the structural deficit of roughly $4 billion. That’s both good and hopeful.

On the other hand, we are absorbing enormous cuts in spending to vital education and economic development programs. The state subsidy to local school districts is down some $900 million while aid to higher education is down almost 20 percent. Inevitably, local education cuts to programs and personnel will occur while sharply rising tuition at state universities is certain. That’s neither good nor hopeful.

Equally murky are the political implications of the new budget. In the short run, Governor Corbett and his Republican party have scored a coup of some consequence. Simply passing a budget on time is an accomplishment in a state where such has not happened for nine years.

Moreover, he did it without a tax increase and in keeping with his major campaign promises. In doing so Corbett has firmed up what has been a shaky first year in office for him. He has enhanced his reputation as a straight-talking, straight-dealing politician who says what he’s going to do and then does it. These are all political plusses for him and his party entering the critical months before the upcoming presidential election.

But Corbett’s short-term gains could become long-term losses. The newly minted budget comes complete with some considerable coststuck carefully into what may be a slowly ticking time bomb. Much of what Corbett has accomplished raises the specter of tax shifting: where one level of government lowers spending or taxes, in turn shifting the onus to another level of government compelled to fill the vacuum. This is a smoke and mirrors gambit with which Pennsylvanians are only too familiar.

Tax shifting, if it occurs, will impact local government. In fact, three quarters of the state’s 500 school districts are already in the process of raising property taxes.

To its credit, the Corbett administration has acted to discourage tax shifting by amending Act 1 of 2006, which neverworked as intended. In theory, Act 1 was supposed to make it difficult for school districts to raise property taxes without a local referendum. In practice, however, the state routinely granted exemptions from
the referendum requirement. Consequently, school districts routinely raised property taxes without voter approval.

An improved Act 1 notwithstanding, the pressures to raise property taxes will be relentless. Meanwhile, students and families will increasingly face the draconian dilemma of either borrowing more to attend college or abandoning higher education altogether.

Even worse, all of this could hardly come at a less propitious time. Raising property taxes in a moribund or declining housing market looks like a recipe for economic disaster, and increasing college tuition for economically struggling families seems both bad policy and bad politics.

Corbett, in effect, has shut down the exits. For years we tried to have our cake and eat it too. The Corbett budget is telling us that we are out of cake. Consequently, the electorate now must decide what it really wants—lower taxes or reduced expenditures, with the consequences that come along with each.

In holding our collective feet to the fire, Corbett has fired a direct hit on what may be the predominant paradox of American political behavior: we hate taxes but love spending. We wax rhapsodically when politicians promise to lower our taxes but reflexively recoil when that same politician cuts our spending. Schizophrenic it may be; quintessentially American it certainly is.

Corbett isn’t having any of this. He is giving us both no new taxes and reduced spending. That’s what we said we wanted when we elected him last November. That’s what he said he would do. And that’s what he has done.

Now it’s our turn, as millions of Pennsylvanians begin to struggle with the issues created by the new budget. We got what we said we wanted; soon we will find out if we still want what we got.

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