The Budget Paradox

July 7, 2005

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Pennsylvania's shiny new 24 billion dollar state budget will touch virtually every one of the state's 12 million residents. The sums to be spent are immense, the programs to be funded are innumerable, and the effects on people's lives will be critical. Nor does this differ much from earlier years and other budgets. State budgets encompass the essential issues of political conflict, and record the ultimate compromises of public policy: what state government does; what it hopes to do; and its core values are embodied in the budget.

Yet the budget process itself that produced this budget and earlier budgets--the debate and struggle over programs and dollars--was all but invisible to most Pennsylvanians. Few Pennsylvanians really cared about it, got involved in making it, or know much about it. To most, the budget is banal at best, seeming irrelevant, and insipidly dull.

This jarring contradiction--vast public significance juxtaposed against immense public ennui presents what might be called the budget paradox: the riddle of why a process as important as the budget goes unheeded, and virtually ignored by the general public.

The budget paradox is no mere academic concern--public apathy about the budget produces a vacuum filled by interest groups and special pleaders seeking shares of the state's largesse. If Pennsylvania is controlled by special interests, the budget paradox helps explains why that is so.

But, what explains the budget paradox? Clearly there are multiple causes for it, but five characteristics of the modern budget process stand out. Collectively these five account for what is otherwise unaccountable: why so many allow so few to decide how to spend so much.

**The Budget Is Predictable**

The governor may propose and the legislature may dispose. But in the end the governor can't legislate and the legislature doesn't have the line item veto. These countervailing powers mean that any budget stalemate will eventually be resolved. The question is never whether the budget gets passed, but only when. Many budgets have been approved on time or almost on time. Some budgets have been approved well before the constitutionally prescribed June 30 deadline, and a few have been approved late, even very late. Most of the state's late budgets are produced by fiscal deficits usually requiring program cuts and tax hikes. Such conditions make late budget adoption virtually automatic and highly predictable. These deficit budgets are likely to occur during and after recessions, such as in 1983 and again in 1991. But one iron rule prevails--budgets always get passed, not withstanding the annual melodrama surrounding passage.

**The Budget Is Secretive**

Citizens often find budget proposals confusing. For example, this year each side has assumed positions that seem inexplicable on some issues. Rendell and his Democratic supporters have pushed for allowing the voters of school districts to decide whether to opt into the Act 72 property tax relief plan: an approach historically favored by Senate Republicans. Meanwhile, Republicans were adamant about protecting the poorest of the
poor from severe Medicaid cuts—a position normally taken by Democrats. This and other examples illustrate a
truism about budgeting: spending decisions are primarily an insider's game of finely developed political
esoterica, and you need a good score sheet to follow it. This budget cycle, the legislative pay raise, and the
deals concluded to resolve the Medicaid shortfall provide two good examples—both done in a process hidden
from public view. How specific decisions get made are shrouded in secret cloakroom dealings and horse-
trading. And no better example can be cited than the pay hike legislators, cabinet officials, and jurists will
receive as part of the budget negotiations.

The Budget Is Incremental
Whole budgets get passed, but only miniscule parts of those budgets receive serious scrutiny. Mandates, state
laws, employee costs, and other fixed costs mean that never more than 15-percent of the budget is really in
play. The rest is comprised of income and expenditures that are uncontrollable in any one year. The
"incremental" nature of budgets means that for much of the public, budget issues are not immediately
compelling, because year to year change is so gradual. As the Pennsylvania Economy League has
observed: "Making major changes in the budget is like steering an aircraft carrier in a new direction: the
tremendous force of inertia - the status quo - must be overcome." Governors, in fact, tend to introduce their
new programs in the first year or two of their term; this year, for example, there are no new programs in
Rendell's third budget. Incremental budgets are associated with some important advantages, including stable
taxing and predictable programming. But they don't stir public interest; citizens may feel they don't have to
tune in every year since not much changes from year to year.

The Budget Is Political
Budgets are formulated in financial terms, but politics is almost always subtext to ultimate decision-
making. In particular, the partisan balance between the legislative and gubernatorial branches plays an
important role in the ease or difficulty in budget approval. Most of the missed deadlines have occurred with a
split legislature. For example, in the mid-1990's swimming in a sea of record surpluses, the Republican
controlled legislature and Republican Governor Tom Ridge worked out effortlessly one budget after another
well before the budget deadline. However, currently, Democrat Rendell with a Republican controlled
legislature has not had a single complete budget approved within the constitutional deadline. Nor is party
homogeneity an ironclad assurance that the budget process will be smooth and timely. The 1977 budget
approval debacle—one of the worst in state history—was created by Democratic State Senators' reluctance to
support a Democratic Governor Milton Shapp's tax proposals.

The Budget Is Unaccountable
Pennsylvania has no legal mechanism to permit citizen involvement or review of the budget process. Other
states, mostly in the western part of the country, permit voters to propose and limit spending by citizen
involvement. These devices, including the initiative and the referendum, have allowed ordinary citizens to
influence government taxing and spending. No such devices in Pennsylvania allow public input into decisions
on taxing and budgeting. Pennsylvania's unusually large number of local governments further aggravates the
lack of accountability. These local governments neither have local autonomy on tax and budgeting issues—nor
is local initiative and referendum generally available. The net result is there is nothing citizens can really do
about state spending or state taxes. Experience teaches that often Pennsylvania citizens don't even know to
whom to complain if they feel aggrieved about government spending decisions.
The root problem lurking underneath the budget paradox is clear enough: the public doesn't understand the budget process very well, while political leaders seem in no hurry to make the process more transparent. This toxic blend of public ignorance abetted by legislative detachment suppresses what otherwise could be sharp public interest in budget issues and outcomes.

One clear antidote would be to give the public more information about how the budget process works, still better: give the public a way to actually participate in that process. The ultimate mystery here may be why the public hasn't demanded both of these a long time ago.

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