

***POLICY BRIEF***  
An electronic publication of  
The Allegheny Institute for Public Policy

---

November 21, 2003

Volume 3, Number 52

---

### **Time to Make Hard Spending Choices**

When asked about the budgetary impasse with the State Senate, Governor Rendell remarked, “If we could cure cancer, these people would still say, if it raises taxes, we don’t want it.” The comment refers to the refusal of the Senate to pass a 16 percent increase in the state’s personal income tax rate, an increase in the state’s Capital Stock and Franchise Tax back to the highest rate in the nation, along with new taxes on long distance calls and cell phones to pay for his ambitious new education programs. When asked if he was willing to compromise on these programs, his response was a terse “I’m not budging.”

The Governor is convinced that the programs he is advocating--early childhood education, full day kindergarten for all children and the reduction of class sizes in grades K-3--are programs that have been proven to work as shown by success in Philadelphia and Lancaster schools. But, such evidence is hard to find. For example, in the Philadelphia school district, a paltry 18.7 percent of 5<sup>th</sup> graders demonstrated proficiency in math and only 20.8 percent were proficient in reading on the 2002 PSSA exam. Nevertheless, Governor Rendell is willing to dig in and fight for a tax increase to pay for the approximately \$250 million cost of the new programs.

If these programs are so “successful” and represent a cure for Pennsylvania’s public education problems, the Governor should be willing to make hard spending choices to fund them. A tax hike is certainly not needed or desirable. If these programs are so vital to the future of Pennsylvania students, why not eliminate or cut back some existing educational or even some non-educational programs that are providing little or no benefit to students and taxpayers in order to save substantial amounts of money? The State’s general fund budget is over \$20 billion --\$250 million would represent only 1.25 percent of the budget. Surely the Governor and his staff can identify \$250 million in spending that generates far less benefits to Pennsylvania citizens than his new education programs purportedly would.

There are other avenues to save substantial amounts of money. One of the quickest ways to slash State spending would be to recommend the elimination of the prevailing wage law on state construction projects and permit local governments and school districts to opt out of the requirement. This reform alone could save taxpayers enormous amounts of money. In FY99, Pennsylvania spent \$2.12 billion on construction. Absent the prevailing wage requirement, the state could have easily realized a 10 percent savings worth over \$200 million, almost enough to cover the cost of the education plans.<sup>1</sup> Moreover, Pennsylvania’s local governments and schools could save millions of dollars each year if they choose the non-prevailing wage option.

---

<sup>1</sup> Allegheny Institute Report Number 02-02. [http://www.alleghenyinstitute.org/reports/02\\_02.pdf](http://www.alleghenyinstitute.org/reports/02_02.pdf)

Maybe the Governor would be willing to consider signing a Right to Work law, eliminating compulsory union membership as a condition of employment. Study after study has shown that states with a Right to Work law have higher job growth rates than non-Right to Work states. In 2002, Pennsylvania's job growth ranked 49<sup>th</sup>. Freeing Pennsylvania from this job killer would, in fairly short order, lead to increases in employment, income and state tax collections well beyond the \$250 million needed for the new programs. If the Governor is so certain that his education plan is the panacea for Pennsylvania's public education problems, he should welcome this job growth and revenue enhancing reform.

Finding a long-term solution to Pittsburgh's financial problems is another area where the Governor has shown a disinclination to compromise. The central feature in all of the plans involves the creation of an oversight board to control finances. The Governor likes the oversight idea, but has said that he would veto any legislation creating such a board if it is not accompanied by new taxes for the City to levy. This very hard stance fails to recognize that Pittsburgh has an expenditure problem, not a revenue problem and that new taxes will not help the City in the long run. Holding out the hope that new revenues are on the way allows the City government to put off making hard decisions and allows unions to resist making the concessions that are necessary to put Pittsburgh on a sound financial footing.

There is a long list of failures to make hard choices that have brought the City to the current crisis: not implementing any of the major cost-cutting recommendations of the Competitive Pittsburgh task force, accumulating property that would be better off in private hands, extending "no-layoff" clauses to City unions, and trying to stimulate private growth without addressing the fundamental issues of high taxes and a poor business climate.

Obviously, it is very difficult to set priorities for public spending and make the necessary hard choices as long as taxpayers are viewed as an endless source of funds. But, if Pennsylvania and Pittsburgh are to thrive, it is time for policymakers to make the difficult decisions to create an environment that will foster economic growth and relieve government fiscal problems.

---

**Frank Gamrat, Ph.D. Sr. Research Assoc.**  
**Jake Haulk, Ph.D. President**

**Eric Montarti, Policy Analyst**

---

*Policy Briefs may be reprinted as long as proper attribution is given.*

*For more information about this and other topics, please visit our website:*

[www.alleghenyinstitute.org](http://www.alleghenyinstitute.org)

If you have enjoyed this or previous Policy Briefs and wish to support our efforts please consider becoming a donor to the Allegheny Institute. The Allegheny Institute is a 501(c)(3) non-profit organization and all contributions are tax deductible. Please mail your contribution to:

The Allegheny Institute  
305 Mt. Lebanon Boulevard  
Suite 208  
Pittsburgh, PA 15234

Thank you for your support.