News for Immediate Release

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Text of Governor Corbett's 2012-13 Budget Address

Harrisburg – The following is Governor Tom Corbett's 2012-13 Budget Address to the General Assembly (as prepared for delivery):

Speaker Smith, President Pro Tempore Scarnati, Lieutenant Governor Cawley, members of the General Assembly, distinguished cabinet, fellow citizens.

Pennsylvanians are people who embrace important qualities. We value service. We value bravery. We value compassion. We saw these virtues on display last year when floods hit our state. Our first responders, our firefighters, our police, our men and women of the National Guard stepped into the breach to prove, once again, that we are a commonwealth and act for the common good.

In Montgomery County, Robert Spitko, a firefighter from Norristown, and Rick Russo, a swift water rescue boat crew member from Neshannock in Lawrence County, learned of a woman who had been swept away. They tethered themselves to rescue ropes and went through the swift and rising flood waters. They found that woman clinging to a sapling. They brought her back safe.

In Lycoming County, State Police Corporals Brad Eisenhower and Larue Stelene received calls about a woman and two children, ages 3 and 7, stranded on the roof of their home. The buildings around them had already been swept away. These brave men guided a hovercraft through those waters, at night time, and took that family to safety.

For several years we have seen courage on display as members of our National Guard served overseas in the War on Terror. I want to tell you about two of them. Recently they were each presented with a heart. It might be close to Valentine's Day, but that's not the reason. But it is out of love for their country, and what it means.

Specialist Ryan Petrill, from Luzerne County, was injured fighting in Afghanistan. Sergeant Matthew Keeler, from Delaware County, earned his purple heart in Iraq. We are grateful for their service, and even more grateful to have these winners of the Purple Heart back home in Pennsylvania. Welcome home, men.

These six heroes are here today representing the thousands of others in their ranks, who came through in our time of need, at home and overseas. Would you join me in one final round of applause for them?

So, we ended last year with accounts of great courage. We began this new year on a note of sadness. Joe Paterno, a legendary coach and an ambassador for Pennsylvania in the world of sports, died. His commitment to Penn State and to the futures of the athletes he guided can never be doubted. Nor can his place in our history. Please join me in a moment of silence in honor of Joe Paterno.

Last year, when I stood before you, I spoke of a grave dilemma. The state had a structural deficit of more than $4 billion. The public ledger demanded restraint. Our needs as a commonwealth demanded action. We accomplished much of real consequence.

For the first time in 40 years, we spent less. Our state budget was passed on time for the first time in almost a decade. And we imposed no new taxes on our citizens.

The reason was plain: State government has less revenue because our citizens have less for themselves. We can't ask people to travel the road to recovery and then turn around and add to the burden they must carry along the way. To prevent cost reductions at the state level from being turned into new taxes at the local level, we enacted property tax reform.

Tort reform brought relief to job-creators who feared entering a marketplace where they could be forced to pay for damages that were not rightly theirs. I asked you last year to send me tort reform and said I would sign it. You sent it. I signed it. Thank you.

Early today, we passed legislation creating new Keystone Opportunity Zones. K-O-Z's, as they are often called, offer tax incentives and development assistance to businesses. They have the potential to bring thousands of jobs to Pennsylvania. This sends a strong message that Pennsylvania's open for business.

After long negotiations, we are close to reaching a consensus on how to address the impacts in the Marcellus Shale regions. I am pleased with the progress we have made and I applaud the cooperative spirit you and your staffs demonstrated while working to resolve this complex issue. I look forward to signing this legislation into law.

By keeping taxes in check and spending under control we continued to replace jobs lost in the recession. Those jobs weren't created by decree. They grew because Pennsylvania's budget, rather than postpone the inevitable, faced up to the moment. We reduced spending to fit the realities of our time. Pennsylvania took its first steps toward changing the culture of tax-and-spend.

Together, we showed we can make reforms that count. It is time to show citizens, weary of empty promises and doubtful that real change can be believed in, that we

can accomplish more. In this administration we have decreased overall spending by six percent. We reduced the state automobile fleet by more than 1,200 cars. In the agencies that fall under the supervision of the governor, we have eliminated "per diem" expense accounts. We insist on receipts. In every sense, the message of reform is, "don't waste."

The alternative was to raise taxes to cover that deficit. What would this have meant?

Last year alone, the personal income tax increase necessary to close that $4.2 billion gap would have cost the average Pennsylvania family of four $920 - just to maintain a status quo that wasn't working. If we did so this year, we'd be taking an additional $300. In two years, a two-income family of modest means would be handing over an additional $1,200 simply to maintain a system that is just plain broken, inefficient and in need of reform.

For families coming out of a recession, that's an inexcusable burden to impose. Reform means understanding this simple truth: when you don't have enough to spend, you spend less.

Reform also means knowing the difference between a "make-work" project and a "save-jobs" project. It's the difference between merely propping something up, and building on its real value. The Port of Philadelphia is a perfect example. The state has advanced $15 million to continue deepening the Delaware River channel. This is a project that links our economy to the world.

You see, the Panama Canal is being widened and deepened to accommodate the new generation of tankers. Those ships can dock anywhere on the East Coast, from Virginia to Boston. Anywhere except Philadelphia, where the river is too shallow.

We want those ships tying up to the docks of Philadelphia the world's best inland port, once we complete the work. Estimates suggest that, over the next five years, as many as 75,000 jobs will be created or saved, both directly and indirectly. This is not just a compact with today's economy. It's a vindication of our history.

Philadelphia was founded as a port city. It received countless people into the New World. Through war and peace it has been our gateway to the Atlantic and beyond, and we intend to keep that gate open and welcoming the world and its commerce. This is not only good for Pennsylvania. It is good for the region and the nation.

So, I worked with our congressional delegation both Democrat and Republican alike, to send a message to the Obama administration: release the additional money to complete this crucial economic development project. Judging from today's news reports, it looks like we succeeded.

And, thanks to an innovative partnership, the giant shipbuilder Aker is currently constructing two tankers. Because of that, Exxon-Mobil has ordered two of a new generation of "supertankers." That shipyard will be booming for years to come.

More than 1,000 jobs have been saved. Thousands more will be spun off as those tankers take shape and set sail.

Our energy producing fields continue to generate jobs. A somewhat overlooked side-effect that benefits all Pennsylvanians, in every corner of the state, is the estimated 40 percent average drop in home heating prices for Pennsylvanians who use our clean, abundant supply of natural gas. In the southeast alone, the average utility customer saved almost $700. The benefits of this growing industry are reaching every corner of our state and we are determined to see this industry produce new jobs and increased savings.

Right now, we are hard at work to bring a major natural gas processing plant to southwestern Pennsylvania. The best argument we can make to the company behind this project is Pennsylvania's embrace of free markets.

We also remain committed to dealing with the issues surrounding the closure of the refineries in Philadelphia. As we build a new energy sector, I am not willing to give up on the old one.

In Erie, the Governor's Action Team came to the aid of General Electric, which already employed 5,000 people at its locomotive plant. We made it possible for G.E. to expand and hire hundreds more at a new location in nearby Mercer County.

Business creates jobs where it feels welcome. Citizens live best when they are employed and don't live in the constant fear that what they earn will be taxed away.

This approach works. Our unemployment rate dropped by almost a full percentage point from the end of 2010 to this very moment, and, as the year began, it was still nearly a full percent below the national average. Our private sector workforce grew by 79,000 jobs.

In short, we continue to grow the kind of jobs that produce real prosperity. This is the road to recovery. We are on it. It sometimes runs uphill but thanks to your partnership in the past year, Pennsylvania is going in the right direction. We must not turn back now. The old approach of tax-and-spend was comfortable for some. In fact, it was so comfortable that it put our economy to sleep.

We cannot allow the debts of today to crowd out the dreams of tomorrow. If we don't act to reconfigure government and revamp how it provides services, we will find ourselves trapped in this same box every year. Difficult economies do not follow calendar years. Nor do they respect state borders. They require us to map state-level solutions to a national problem. Despite a catalogue of quick fixes at the federal level, and a swirl of conflicting theories, we are still living through the most difficult economic period in our lives.

So, today I bring before you a budget grounded in difficult realities but framed in the optimism that we are solving our problems. Once again, revenues do not match

mandated, escalating costs. That means we must continue the course bravely charted by this assembly in the year just passed.

I am submitting to you a budget proposal that is at once lean and demanding. In the coming weeks we will sit down to work out the final details as we map out our course. But this map comes with boundaries. We will not spend more than we have.

We will not raise taxes. There is no talking around these limits. Every dollar taken in tax is one less dollar in the hands of a job-holder or a job-creator. Every dollar spent by government is one dollar less in the sector that creates real prosperity.

I am bringing before you a budget built on the decisions of last year. It is a budget that proposes more in the way of reforms by continuing to change the culture of government from one of entitlement to one of enterprise.

These tough decisions will lay the groundwork for the prosperity of tomorrow. It puts to you, the General Assembly, the question of precisely what role state government and our taxpayers should have in a variety of endeavors. I look forward to working with all of you in framing these priorities into a solid, responsible spending plan.

One of the major innovations I propose this year, the use of block grants, will be found in both our Basic Education and our Welfare budgets. Together, these two departments account for more than 70 percent of our spending. When we include Corrections and debt service, it's 90 percent.

So, with less to spend than we would like, we need to give more flexibility at the level where this money will be spent: the county and school district.

The old way of doing things - the pattern of big government, big policy, big spending - has left us with issues that will dog us long after this year's budget is passed. Our costs are driven in two ways. In the present time, we must pay expenses that run the state from day-to-day.

But out of immediate sight, yet threatening to undermine our present and future budgets are three problems bigger than a single budget. There are legacy costs, something which we will, whether we want to or not, be forced to address sooner rather than later.

Also, it is absolutely critical that we repair our unemployment compensation system.

As expenses rise along with our debt to the federal government, the cost of insuring workers threatens to overwhelm job creators. We have legislation in the General Assembly and we need to act on it now.

Lastly, it is also critical that we address our transportation issues. This is not a budget item. It is too large for that. Transportation must be confronted as its own

distinct and separate topic. This problem has grown for the past several decades and it will not be solved overnight. But, whatever solution we enact must be a lasting one.

I have spent significant time considering this issue with my transportation team and developed some workable solutions. However, those solutions will only be possible with your input, assistance and support. I look forward to working with you.

As we wrote this budget, we looked first at what state government is really meant to do, and we asked if it would add or subtract from private sector jobs. For instance, this budget maintains funding for career and technical education. There is a very solid reason: it matches good jobs with trained people.

The widening gulf in family income tells us that we need to make certain our workforce is paired with the best jobs available. It also helps us repay a vast debt to the veterans now returning from service overseas. They are coming home after serving us. The least we owe them is the training to land a good job.

Maintaining our commitment to the technical professions and practical trades keeps a bargain with today and builds for tomorrow. As our energy sector expands and manufacturing revives, Pennsylvania needs a trained workforce ready to meet the demand for workers.

If we are going to harvest our resources, let's make certain Pennsylvania hands are working the machinery of industry.

The demands of a mixed economy, where free enterprise exists alongside government encouragement, teach some hard lessons. We cannot, in government, simply conjure up jobs. We can help businesses get a start, but we can't carry them. We can help train private sector workers, but we cannot be their employers. We can, at best, act as partners.

Pennsylvania competes with every other state in the union for factories, offices and corporate headquarters. The shorter we make the journey from the drawing board to the ribbon-cutting, the better our chances of growing jobs.

So, I am bringing before you a new and innovative program to create a robust employment market and a vital economy. We call it Jobs First PA. It comprises four programs:

- Pennsylvania Inc.
- The Comprehensive Job Matching System,
- Keystone Works, and
- The Targeted Industry Certificate Program.

We will roll out full details soon.

Briefly, Pennsylvania Inc. provides a single point of access between job creators and state government to speed the time between an idea and a business. Keystone Works would allow unemployed workers to continue their benefits while being trained by companies with available jobs.

The idea is to get the recently unemployed back to work as quickly as possible. The Targeted Industry Certificate program provides increased grants for college and trade school students who are training for high-demand occupations.

In short, we are targeting our workforce toward the jobs. The goal is simple: if there's a job to fill in a new or existing industry, we are determined to put that career opportunity into the hands of a Pennsylvanian.

And, yes, this budget continues the phase out of the capital stock and franchise tax.

At the Department of Community and Economic Development, we are at work finalizing a program I proposed last year, the Liberty Financing Authority. It will merge several programs under a single umbrella. The Liberty Financing Authority will provide the flexibility to direct loans to expanding businesses.

I want to be clear about this. The Liberty Financing Authority is not a series of grants. These are loans, money that will be repaid and rolled back into the nest egg from which we can help the next job-creator.

This line of underwriting might be the small difference in helping a job creator set up shop or to expand an existing one. This is the time to invest in the future. These programs can get us there.

One of our core functions is to provide for education at several levels starting with our youngest. We have less money than I would like, so we must adapt.

Earlier, I mentioned our proposal to use block grants to give counties and school districts the flexibility to adjust to their own, unique needs. That accounts for the transfer of four separate line items in to a single block grant. Right now, education spending is bound up in a thicket of outdated and time-consuming regulations and mandates.

The rationale here is clear. Local districts know better how to spend and allocate resources than do bureaucrats in Harrisburg. We leave the Basic Education Funding formula at its current level. There are no cuts. In fact, you will find a slight increase. Just as we did last year.

There has been some confusion, even deception, about what we did and did not do with the Basic Education formula last year. Some keep insisting we cut Basic Ed. This urban legend was spread by those who have the most to gain from additional funding at taxpayer expense.

Here is the truth. When the Obama Administration handed states billions of dollars in stimulus monies the previous administration reduced the state's share in the Basic Education funding formula. In its place, they put the stimulus funds. Almost a billion dollars worth.

These funds were one-time only earmarks by the president. The last thing they were intended for was to pay continuing, yearly, operating costs such as salaries. The term everybody kept hearing was that the stimulus funds were for "shovel-ready" projects.

Instead, by accounting sleight of hand, someone buried our problems under a layer of federal cash. Perhaps they misunderstood the meaning of "shovel ready." That money is gone. It's not coming back.

What we did, my administration and the men and women of the General Assembly, was to replace the state's share of money. In fact, at more than $5.3 billion, last year's budget was the largest amount the state's taxpayers have ever put into the Basic Education funding formula. The largest until this year.

So, I want the various special interests out there to understand this: If we are going to debate education funding, let's use real numbers.

What Harrisburg can do for education is to set standards – both for our schools and our government.

At the state level, we need to put things in the proper order when it comes to our priorities: student-family-teacher, in that order. Education reform is absolutely necessary. I want our public schools to work, to accomplish what we ask of them, and to do it for every student of every background in every part of the state.

Every child can learn. We need to instill that faith in every school in the state. Every school in Pennsylvania should be our best.

This also marks a moment when we need to open the discussion about how best to finance higher education in this state. We need to have a thorough, public and candid conversation about how best to deal with the spiraling costs and our own obligations.

One elected official recently laid out an ultimatum. He said: "Let me put colleges and universities on notice: If you can't stop tuition from going up, the funding you get from taxpayers will go down. Higher education can't be a luxury. It is an economic imperative that every family in America should be able to afford." Those were the words of President Obama in his State of the Union Address last month.

While I disagree with his prescription – which is to pass much of the cost on to the states – I think he is right that we need to confront the problem. I think we need to talk about this honestly and without rancor and dramatics.

To get that discussion started I am creating a panel on postsecondary education to study our system and to make recommendations on how our universities can best serve the students and citizens of this new century. I have appointed Rob Wonderling to head this panel.

Many of you will remember Rob as an accomplished member of the Senate, and a successful businessman, who now heads the Greater Philadelphia Chamber of Commerce. I have asked Rob and his group to report back by Nov. 15.

As we continue to sort through the must-haves and the nice-to-haves, and compress government into its core functions, public safety stands as a central obligation.

Citizens of the commonwealth must be protected. If we have no other job maintaining civil order is it. Without safety there can be no society. My budget provides funding for a new cadet class of 115 state police troopers to begin this summer.

We have also streamlined public safety, bringing the state's Office of Homeland Security into the fold with the state police. The floods of the past summer have shown us all that a well organized emergency system is, quite literally, a matter of life and death.

I'm pleased to say the budget also contains matching funds to continue our recovery from this past summer's floods. And holding to our theme of reform, this is the first time in 10 years that does not require an increase in the Corrections budget.

Our Justice Reinvestment Initiative panel is at work finding ways to deliver justice for victims and corrections for offenders while stemming the costs of imprisonment.

Our commitment to Pennsylvania's neediest posed a special challenge. Welfare does not produce wealth. What we do in this field is a measure of our compassion as a people and of our vision as leaders.

If we believe in society, we must accept that we have a duty to care for and protect those among us who cannot fend for themselves. I am reminded of the words of Franklin Delano Roosevelt. In the hardest of economic times he knew the danger of turning a moment's help into a life's dependence.

In his third State of the Union address, he said:

> "To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is inimical the dictates of a sound policy. It is in violation of the traditions of America."

That's a powerful warning from a leader who was qualified to give it.

So what do we do? What tradition must we preserve? We can't maintain what we have been doing for 40, 50, even 60 years, when it hasn't improved the lives of the poor.

The budget I bring you is built to transform the public welfare system. Not to eliminate it but to 'right size' it. It modifies programs to give incentives to those who are able to transition from the welfare line to the employment line while it gives real relief to our poor.

We are proposing to merge seven separate budget lines into block grants. This innovation will give counties the flexibility they need to identify their most pressing needs and apply funds as they know best.

All of these adjustments have been done with an abiding belief that the best route from the welfare line is to the work line by focusing on job creation. There is no other sensible way.

Yesterday marked the 101st birthday of Ronald Reagan, our 40th President. He was a man who supported Franklin Roosevelt and also understood Roosevelt's own warnings about the need for a balance between a vigorous government and an overbearing one.

He chose vigorous. Here is what he had to say:

> "Government has an important role in helping develop a country's economic foundation. But the critical test is whether government is genuinely working to liberate individuals by creating incentives to work, save, invest and succeed."

Pennsylvania is, as I said, still in difficult times. Its future will rely on that sense of purpose that Reagan and Roosevelt both embodied. Another Roosevelt -Teddy Roosevelt - dedicated this building a century ago. He is often quoted as saying: "I dream of men who take the next step instead of worrying about the next thousand steps.''

Here is that first step: We need a budget that employs simple honesty for the common growth of our commonwealth.

We must continue the journey that will turn the road to recovery into the path to prosperity.

Let's get started.

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