

Get realistic: Palatable tax options exist for the state budget

Sunday, July 26, 2009
Pittsburgh Post-Gazette

Now that the Democratic state House and the Republican state Senate have punted their dueling budgets to a conference committee of legislative leaders, it's time for serious negotiations on an overdue 2009-10 spending plan.

The House-Senate committee members -- three from each party -- haven't been selected yet and, when they are, Senate Majority Leader Dominic Pileggi says the sessions will take place in public to conform to the state's open meetings law. But make no mistake -- the actual deal-making already has started and undoubtedly will be going on behind closed doors.

The state has a \$3.2 billion deficit and the Republican and Democratic proposals are more than \$1 billion apart. This budget can't be balanced on cuts alone -- not unless Pennsylvanians really want to live with inadequate medical help for struggling families, insufficient preschool programs, shorter hours at libraries and museums, antiquated medical record keeping, and too little help that means dependency instead of freedom for those with disabilities. And less.

Legislators are loath to raise taxes, but if they don't come up with new revenue, citizens will be looking at devastating cuts and an eventual tax increase, anyway. That's because the Republican proposals don't provide enough money for education to keep up the progress made last year, when the state's share of school district costs went up. If their figures are in the budget, local property taxes will be raised to make up the difference.

Gov. Ed Rendell has argued long and hard for a temporary 0.5 percentage point increase in the state income tax, to 3.57 percent. It would generate \$1.5 billion over three years, but there is little support for this broad tax increase when Pennsylvania families are scrimping due to the economic recession.

The arguments against other, more-limited tax options are weak, however.

Pennsylvania can generate \$107 million in new revenue by doing what most states, including neighboring West Virginia, already do, which is tax natural gas extracted from underground reservoirs in the Marcellus Shale region. Other businesses will have to do their share and a three-year suspension in the phaseout of the capital stock and franchise tax will mean \$300 million.

A 10-cent increase in the tax on a pack of cigarettes would bring in another \$61 million and imposing a levy on cigars and smokeless tobacco, done in all other states, would add another \$38 million.

These measures won't close the budget gap entirely, but they'll save half a billion dollars in essential programs.

The state's budget is almost four weeks late, its employees aren't being paid and school districts that start classes in a month don't know how much money they'll have. Legislators need to get serious and negotiate a realistic budget Pennsylvanians can live with.

First published on July 26, 2009 at 12:00 am