

## PROPOSED BUDGET FRAMEWORK

*Below are the details of a budget framework being developed by Senate and House Republicans and Democrats and Governor Wolf. Please let me know what you think by sending a comment or calling my office.*

**Liquor** – For the first time since before Prohibition, Pennsylvania would open the private market up for wine, spirits and beer. The plan will be based on customer convenience and selection, and ultimately, will get the state out of the wholesale and retail business of alcohol.

**Pension** – For new employees, a new pension system will be created that will end the current defined benefit program and instead use a “side-by-side hybrid” plan. A reduced defined benefit will be used in conjunction with a 401K-style plan. The estimated savings with these changes in addition to other reforms like anti-spiking and neutral option provisions will result in about \$12 billion over 30 years.

**Property Tax** – Property tax reduction would be achieved through an increased sales tax from 6% to 7.25% and only on items currently taxed. These revenues would generate \$1.3 billion in year 1, and \$2 billion in the first full year of implementation. This plan would dedicate the relief to homestead/farmstead property tax reform totally and would result in an estimated 35% average reduction for homeowner/farm owner.

To ensure property taxes won’t just go right back up, accountability measures would be included that would make it more difficult for school districts to raise property taxes. There are several ideas being discussed as to how best to achieve that.

**Reallocation of Gaming Revenue** - To help alleviate the need for tax increases, the slots money currently dedicated for property tax relief (about \$600 million), would instead move to a restricted fund to make pension payments. This would help improve the state’s bond rating.

**Education** – Our schools will receive an additional \$350 million in Basic Education Funding, but the distribution is still being worked out. Another \$50 million will be allocated for special education. School reform measures that focus on the quality of education – *which is what I believe we need most* – are still being worked on.

**Structural Deficit and Taxes** – To deal with the structural deficit, moving the \$600 million of slots money to a restricted pension payment account will ease the need for General Fund monies to use for pension increases. Also being looked at is various tobacco tax increases.

**Gambling Expansion** - Gambling expansion is being considered again as a way to raise revenue. Specific proposals include authorizing Internet gambling and slot machines at off-track betting parlors, such as the one at East Towne Mall in East Lampeter Township.

**Total State Spending** – \$30.26 billion, or if you add in the pension restricted account funds, it will be \$30.7 billion. This is \$3.6 billion less than Governor Wolf’s original \$33.8 billion proposed spending plan.