



80 IDEAS

for a prosperous

PENNSYLVANIA

A BLUEPRINT FOR
TRANSFORMING THE COMMONWEALTH



80 IDEAS FOR A PROSPEROUS PENNSYLVANIA

A BLUEPRINT FOR TRANSFORMING THE COMMONWEALTH

Pennsylvania's newly-elected governor and the 2011-12 General Assembly will face a host of challenges created by the previous governor bent on a tax-borrow-spend-and-control mentality that has driven the commonwealth into a potential \$5 billion budget deficit. These fiscal challenges also include an education system with a wide achievement gap for students and parents demanding more options for their children, a recession that has led to the highest unemployment rate in 30 years, a public that has lost faith in its leaders and economic growth that has trailed the rest of the nation for decades.

Pennsylvania must undergo a rapid transformation to reverse the poor policy decisions that have eroded economic freedoms and brought the state to its present condition. To provide a roadmap for success in this critical endeavor, the Commonwealth Foundation has compiled a list of 80 policy recommendations for Gov. Corbett and state legislators to help lead a Pennsylvania comeback. Each of these recommendations links to Commonwealth Foundation research with more information on each issue. Collectively, these recommendations represent a "A Blueprint for Transforming the Commonwealth," which can be found at CommonwealthFoundation.org/BluePrint.

BUDGET AND SPENDING

State government's taxing and spending has grown dramatically in the recent years. The \$66 billion state operating budget represents a 64 percent increase in per-capita, inflation-adjusted spending since 1990—a \$2,083 real increase in state spending for every person in Pennsylvania. This tax-borrow-and-spend approach to state government has failed to revitalize our economy. Fiscally responsible budgeting requires Harrisburg lawmakers to prioritize spending and pare back the dramatic growth of state government over the last eight years.

Recommendations

1. Limit the growth of government spending to population growth plus inflation.¹
2. Maintain a balanced budget throughout the fiscal year as required by our state Constitution by adjusting spending on a quarterly basis to match revenues.²
3. Eliminate "corporate welfare" by prohibiting the state from giving tax dollars to private companies.³
4. End self-service government programs, like advertising, that promote bigger government, rather than serve the public.⁴
5. Eliminate fraud, abuse, inefficiency, and mismanagement in the delivery of government programs, particularly in the Department of Public Welfare.⁵
6. Create an online state spending database to track all government expenditures.⁶

1. Commonwealth Foundation, "The Truth About Spending Limits."

2. Brouillette, Matthew and Joe Sterns, "Reforming the Budget Process in Pennsylvania," Commonwealth Foundation.

3. Commonwealth Foundation, A Taxpayer's Budget 2010: Responsible Spending for Pennsylvania.

4. Ibid.

5. Stelle, Elizabeth, "Welfare Fraud and Abuse," Commonwealth Foundation.

6. Commonwealth Foundation, "Spending Transparency & Accountability."

TAXES

Pennsylvania has the 11th highest state and local tax burden in the nation. The average state taxpayer must work nearly one-third of the year to earn enough money to pay his federal, state and local tax bills. It is clear this tax burden is undermining the commonwealth's economic well-being, resulting in stagnant population growth (and the loss of another Congressional seat following the U.S. Census results). According to IRS data, under Governor Rendell (2003-2008) the state experienced a net loss of 38,000 taxpayers and \$2.1 billion in loss personal income tax, with the majority of those fleeing to states with lower taxes and greater economic freedom.

Recommendations

7. Reduce personal and corporate income taxes that have hindered Pennsylvania's economic growth.⁷
8. Eliminate the Film Tax Credit that gives preferential treatment to one industry at the expense of other industries in Pennsylvania.⁸

EDUCATION

Over the past 25 years, Pennsylvania per-pupil spending has increased 364 percent, while achievement has stagnated. Today, school districts spend over \$13,000 per pupil. Yet, Pennsylvania's performance on the National Assessment of Education Progress exam has remained relatively unchanged, and Pennsylvania ranks among the worst states in SAT scores. Clearly, more spending is not the answer, and taxpayers are far from getting a good return on our investment.

School choice is a solution that will improve the quality of education and save taxpayers money. Charter and cyber schools receive only three-fourths of what district schools do, and private schools often spend half as much per pupil as public schools. In the 2008-09 school year alone, non-traditional educational options saved Pennsylvania taxpayers more than \$3.6 billion. Both children and taxpayers benefit when schools must compete and parents have choices.

Recommendations

9. Provide scholarships to families to promote opportunities for students and property tax relief for homeowners.⁹
10. Expand the Education Improvement Tax Credit limit to allow access for more students.¹⁰
11. Provide a parental choice tax credit to reduce educational expenses of parents for private school tuition and home-school costs.¹¹

7. Samuel, Abhilash, "Outward Bound: Taxes Driving People out of Pennsylvania," Commonwealth Foundation.

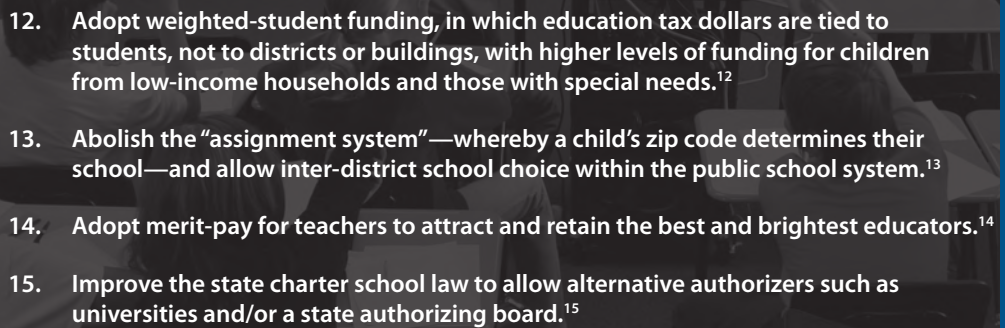
8. Yakovlev, Paul and Antony Davies, Pennsylvania's Flawed Film Tax Credit: What the ERA Study Won't Tell You, Commonwealth Foundation.

9. Hoerner, Joshua, "A School Choice Governor?," Commonwealth Foundation.

10. Commonwealth Foundation, "Pennsylvania Education Spending."

11. Coulson, Andrew J., Reinventing Education in Pennsylvania: Fulfilling the Promise of Public Schooling, Commonwealth Foundation.


12. Benefield, Nathan, "Costing-Out the Price of Education," Commonwealth Foundation.

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12. Adopt weighted-student funding, in which education tax dollars are tied to students, not to districts or buildings, with higher levels of funding for children from low-income households and those with special needs.¹²
 13. Abolish the “assignment system” —whereby a child’s zip code determines their school—and allow inter-district school choice within the public school system.¹³
 14. Adopt merit-pay for teachers to attract and retain the best and brightest educators.¹⁴
 15. Improve the state charter school law to allow alternative authorizers such as universities and/or a state authorizing board.¹⁵

GOVERNMENT REFORM

Pennsylvania state government suffers from a lack of public confidence. From the pension bump of 2001 and the 2005 pay raise, to the conviction of former state Senator Vince Fumo and the 2008 “Bonusgate” scandal, the list of abuses is long enough to convince anyone that political self-service is too prevalent in Harrisburg. Critical reforms must be implemented to not only restore integrity in the state Capitol, but also prevent abuses in the future.

Recommendations

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16. Provide citizens with the power of initiative to propose legislation and constitutional amendments via the ballot process.¹⁶
 17. Empower citizens with the ability to repeal illegal or inappropriate laws passed by the legislature through referendum.¹⁷
 18. Enact term limits for members of the General Assembly to restore the spirit and benefits of a citizen-led legislature.¹⁸
 19. Reform the redistricting process to allow for more competitive elections and continuity of legislative districts.¹⁹
 20. Return to a part-time legislature, like Texas, which makes for a more effective and efficient legislative process.²⁰
 21. Enact performance-based budgeting to hold both legislators and government agencies more accountable.²¹

13. Ibid.

14. Ibid.

15. Ibid.

16. Nerozzi, Michael and Nathan Benefield, “I&R: Our Inalienable Right to Reform,” Commonwealth Foundation.

17. Ibid.

18. Sterns, Joe, “A Time for Term Limits Again,” Commonwealth Foundation.

19. Brouillette, Matthew, Empowering Citizens through Legislative Redistricting and Initiative & Referendum, Commonwealth Foundation.

20. Benefield, Nathan and Elizabeth Stelle, “The Case for a Citizen Legislature,” Commonwealth Foundation.

21. Stelle, Elizabeth and Nathan Benefield, “Pennsylvanians Deserve Open Budget Debate,” Commonwealth Foundation.

PUBLIC EMPLOYEE PENSIONS AND BENEFITS

Pennsylvania's public employee pension plans are severely underfunded due to increases in benefits in 2001 and 2002, the delaying of payments into the funds, and the investment losses in the stock market. In 2010, the legislature decided to further defer pension payments into the future and increase the unfunded liability by tens of billions of dollars in lost investments and interest. The Governor and General Assembly must enact real pension reform as the current system puts taxpayers at serious financial risk.

Recommendations²²

22. Establish a unified, defined-contribution plan for all new state and local government employees.
23. Prohibit pension obligation bonds or other post employment benefit (OPEB) bonds.
24. Mandate minimum funding reforms for any newly created liabilities resulting from pension and OPEB plans.
25. Modify unearned pension benefits for current participants.
26. Adopt funding reforms only after prior steps are achieved.

ENERGY

Pennsylvania has always been a leading provider of America's energy. From timber and coal to the nation's first commercial oil well, and now the Marcellus Shale natural gas opportunity, traditional energy is vital to our state's economy. But these industries, and the economic and community benefits that accompany them, are now threatened because special interest groups have made them politically unpopular. At the same time, alternative energy companies are rewarded on the basis of their lobbying for mandates and subsidies rather than their ability to compete in the marketplace and meet the energy demands of consumers.

Recommendations

27. Repeal alternative energy mandates that drive up the cost of electricity by artificially creating a market where none exists.²³
28. Refrain from imposing a punitive tax on natural gas extraction to encourage its development and expansion.²⁴
29. Reduce or abolish the state Gross Receipts Tax on electricity to lower costs for consumers.²⁵

22. Stelle, Elizabeth and Nathan Benefield, "Pennsylvanians Deserve Open Budget Debate," Commonwealth Foundation.

23. Commonwealth Foundation, "Alternative Energy Mandates."

24. Commonwealth Foundation, "Know the Drill: The Truth about Natural Gas."

25. Commonwealth Foundation, "Electricity Restructuring and Rate Caps."

30. Repeal excessive and unnecessary environmental regulations, which drive up the price of electricity and inhibit low-cost options such as coal.²⁶

PRIVATIZATION

Goods and services are best provided by the private sector. Both consumers and taxpayers suffer when government competes directly with private enterprises or fails to utilize the private sector in the delivery of public services.

Recommendations

31. Privatize Pennsylvania's liquor stores to increase competition, enhance choices and provide lower prices.²⁷
32. Privatize PHEAA, a government agency that competes with private education lenders and has a reputation for lavish spending.²⁸
33. Contract out management of state parks to reduce spending and help fill the budget deficit.²⁹
34. Contract for prison management and construction to reduce costs.³⁰

HIGHER EDUCATION

While Pennsylvania remains a leader in higher education, the cost of a degree has skyrocketed under the cumbersome federal and state student aid bureaucracies and lavish sports programs. Significant changes in the way state government funds higher education are essential if the next generation of Pennsylvanians hopes to obtain post-secondary degrees.

Recommendations³¹

35. Halt all state higher education subsidies and make any increase contingent upon freezes in tuition costs and greater spending transparency for taxpayers.
36. Replace direct state subsidies to universities with fixed scholarship grants to students.
37. Hold students, colleges and universities accountable for the taxpayer support they receive.
38. Re-focus all state institutions on teaching, rather than research.
39. Reorganize state higher education, including severing the taxpayers' financial support to state, state-related and state-aided universities.

26. Stelle, Elizabeth, "Traditional Energy Fuels Pennsylvania's Economy," Commonwealth Foundation.

27. Pulito, John and Antony Davies, Government Run Liquor Stores: The Social Impact of Privatization, Commonwealth Foundation.

28. Commonwealth Foundation, A Taxpayer's Budget 2010: Responsible Spending for Pennsylvania.

29. Currie, Katrina, "Private Parks Promote Public Preservation," Commonwealth Foundation.

30. Benefield, Nathan, "Private Prisons Increase Capacity, Save Money, Improve Service," Commonwealth Foundation.

31. Commonwealth Foundation, High Costs of Higher Education, Reforming how Pennsylvania Taxpayers Finance Colleges and Universities.

ECONOMIC FREEDOM

From 1970 to 2009, Pennsylvania's rankings in job growth, personal income growth and population growth were a dismal 49th, 46th and 48th, respectively. Recent independent rankings of Pennsylvania's economic and business climate mirror this performance, despite ranking second in the nation in so-called economic development subsidies, an empty return on taxpayer investment. Practicing responsible spending and reducing the burdensome government regulations would help promote greater economic growth.

Recommendations

40. Repeal costly regulations on small business owners that take away their property rights.³²
41. Adopt lawsuit abuse reform by eliminating frivolous suits, jackpot jury awards, and defensive medicine that drive up the cost of health care.³³
42. Scale back professional licensing requirements that only hinder economic opportunities for citizens without protecting consumer safety.³⁴
43. Reduce Pennsylvania's harmful minimum wage that has proven to increase unemployment among low-skill workers and teenagers.³⁵
44. Eliminate the duplication in the hundreds of state regulatory agencies, commissions and authorities that increase the costs of compliance for businesses.

HEALTH CARE

Health care costs are rising well above the rate of inflation and income growth as a result of government policies intended to improve care. Consumers don't need another middleman (government); they need more choices in a market-driven system. Health care providers need more freedom to reduce costs and improve the quality of care by leveling the playing field and returning decision-making to the doctor and the patient.

Recommendations

45. Protect Pennsylvania taxpayers from costly federal regulations and intervention in the health insurance market.³⁶
46. Treat individuals the same as employers under the tax code allowing them to receive the same tax benefits for purchasing insurance as a business.³⁷
47. Allow individuals to opt out of certain state mandates or buy "mandate-lite" insurance.³⁸

32. Commonwealth Foundation, "Smoking Bans."

33. Achor, Leah, "Lawsuit Lottery Must End," Commonwealth Foundation.

34. Currie, Katrina, "Does Professional Licensing Protect Consumers or Big Business?," Commonwealth Foundation.

35. Benefield, Nathan, "Lost Jobs, Lost Opportunities: The Reality of the Minimum Wage Hike," Commonwealth Foundation.

36. Commonwealth Foundation, "Health Care Reform: An Update."

37. Commonwealth Foundation, "Health Care Reform."

38. *ibid.*

- 48. Allow individuals and small businesses to buy health insurance across state lines.³⁹
- 49. Repeal state laws which drive up the cost of prescription drugs.⁴⁰

MEDICAID REFORM

Medicaid threatens to bury the state budget under a mountain of new costs in the future. Even without the new federal law, Medicaid is set to consume 94 percent of the Pennsylvania budget by 2075. At the same time, it provides low-quality health care, harming both enrollees and taxpayers. Allowing Medicaid recipients more control over their health care would save taxpayer money and improve the quality of services.

Recommendations⁴¹

- 50. Create insurance and provider exchanges for the provision of services to beneficiaries.
- 51. Allow beneficiaries to buy into private plans while still using their Medicaid benefits.
- 52. Prepay all plans to makes costs more predictable.
- 53. Provide “Reverse” health savings accounts to all beneficiaries.
- 54. Reinsure smaller plans.
- 55. Enroll disabled and elderly in prepaid plans.

LONG-TERM CARE REFORM

Long-term care (often nursing home care) costs Pennsylvania taxpayers \$6.6 billion per year, making up 40 percent of all Medicaid spending (much higher than the national average). Very few citizens buy affordable long-term care insurance because it’s relatively easy to qualify for “free” care in Pennsylvania. With the Commonwealth’s aging population, taxpayer costs for Medicaid long-term care will soon skyrocket absent reform.

Recommendations⁴²

- 56. Require greater asset spend down for eligibility for Medicaid long-term care benefits.
- 57. Do more to recover funds from estates of long-term care beneficiaries.
- 58. Encourage home equity conversion to help individuals pay for their own long-term care, and avoid or delay Medicaid dependency.

39. *ibid.*

40. *ibid.*

41. Bond, Michael, *Medicaid Reform: Mending the Holes in Pennsylvania’s Health Care Safety Net*, Commonwealth Foundation.

42. Benefeld, Nathan, “Long-Term Care Reform: More Access to Better Care at Lower Costs,” Commonwealth Foundation.

59. Incentivize private long-term care insurance to save the commonwealth hundreds of millions of dollars each year.

TRANSPORTATION

Pennsylvania has the 13th highest state gas tax in the nation, ranks 9th in both highway spending per mile and spending per capita and gets back more than it pays into the Federal Transportation Trust Fund. Despite all this spending, Overdrive Magazine graded Pennsylvania as having the worst roads in the nation. Pennsylvania legislators should seek ways to reduce infrastructure costs while improving quality.

Recommendations

60. Stop redirecting highway and bridge money to other purposes, such as bike trails and beautification projects.⁴³
61. Enable public-private partnerships (P3s) on new construction projects to reduce taxpayer costs.⁴⁴
62. Eliminate the Pennsylvania Turnpike Commission, an organization whose history is rife with corruption and patronage, and lease the Turnpike to a private operator.⁴⁵
63. Privatize rest stops and lease out property to service stations and restaurants.⁴⁶
64. Force mass transit agencies to competitively contract the delivery of services.⁴⁷
65. Reduce restrictions on transportation providers, such as taxis and busses.⁴⁸

CRIMINAL JUSTICE

Pennsylvania spends more than \$1.8 billion annually on corrections, and is one of the fastest growing expenditures in the state budget. The commonwealth faces an 11,000-bed shortfall if current policies remain in place. Several reforms that other states have used, including the privatization of prison management, can reduce taxpayer costs without jeopardizing public safety.

Recommendations⁴⁹

66. Create drug courts for low-level drug offenders.
67. Enact mandatory probation, treatment, and work requirements for first-time drug offenders.

43. Brouillette, Matthew, "More Reforms Before More Revenue in Transportation," Commonwealth Foundation.

44. Brouillette, Matthew, Geoffrey Segal, and Adrian Moore, The Emerging Paradigm: Financing and Managing Pennsylvania's Transportation Infrastructure and Mass Transit, Commonwealth Foundation.

45. Commonwealth Foundation, Paying for Our Paving: Why Leasing the Turnpike Makes Good Economic and Public Policy Sense.

46. Brouillette, Matthew, "More Reforms Before More Revenue in Transportation," Commonwealth Foundation.

47. Gulibon, Grant, Mass Transit Reform: Lessons for Pennsylvania, Commonwealth Foundation.

48. Brouillette, Matthew and Nathan Benefield, Transportation Funding Solutions Require Reforms and Reprioritization.

49. Commonwealth Foundation, "Pennsylvania Corrections Spending."

68. Implement graduated sanctions for probationers and parolees to punish small violations and prevent major violations.
69. Offer electronic monitoring, which saves on prison costs, to non-violent offenders.
70. Offer more short-term beds in community detention centers and intermediate units which cost less per inmate to operate.
71. Adopt performance-based probation funding that offers probation departments a share of the state's savings when revocations to prison are reduced.
72. Offer earned time credits that give probationers good time credit when they fully comply with all terms, such as restitution.
73. Allow geriatric release for inmates with serious illnesses.
74. Allow administrative sanctions on probationers and parolees.

UNIONS AND LABOR POLICY

Labor unions maintain a political stranglehold on legislation in Pennsylvania despite representing fewer than two out of 10 workers. Their strength is the product of decades of favorable federal and state laws that are extraordinarily resistant to reform. The result is that organized labor and collective bargaining play a dominant role in Pennsylvania's business climate and government.

Recommendations:

75. Redefine "prevailing wage" laws that require the state to contract union labor, which inflate costs by as much as 40 percent, to the average market wage in a region.⁵⁰
76. Enact a right-to-work law to free all employees from being compelled to pay dues or fees to a union as a condition of employment.⁵¹
77. Outlaw strikes for all government employees to protect taxpayers and citizens.⁵²
78. Discontinue forced, automatic dues deductions in which government operates as the collection agent for the union, a private organization.⁵³
79. Enact "paycheck protection" laws to guard against workers' dues being used for political purposes they do not support.⁵⁴
80. Prohibit taxpayer-funded lobbying in which tax dollars are used to support higher spending and additional taxes.⁵⁵

50. Brouillette, Matthew and Jake Haulk, "The Perils of Slavish Devotions to Organized Labor," Commonwealth Foundation.

51. Benefield, Nathan, "Right-to-Work Leads to Economic Growth," Commonwealth Foundation.

52. Stelle, Elizabeth and Katrina Currie, "Break up SEPTA," Commonwealth Foundation.

53. Brouillette, Matthew and Jessica Runk, Pennsylvania State Education Association: Compelling Teachers, Marginalizing Students, Lobbying Politicians & Increasing Taxes, Commonwealth Foundation.

54. Benefield, Nathan, "Free Political Speech and Paycheck Protection," Commonwealth Foundation.

55. Brouillette, Mathew, "The Real 'Special Interest' Problem in PA."

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