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Ideas to Balance the 2017-18 State Budget

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With a spending plan in place, lawmakers should focus their efforts on reinventing state government to balance the budget. The failure of last year's \$650 million tax increase shows meaningful reforms, not borrowing or new taxes, will lead to financial stability.

Eliminate Horse Racing Subsidies

The Race Horse Development Fund is funded by an assessment on slot machines. Horse racing receives nearly \$250 million annually, almost one third of the more than \$800 million spent on corporate welfare. Since 2006, [taxpayers have spent \\$2.7 billion on horse racing subsidies](#).

- **Handouts Instead of Tax Relief**

Legalizing slot machines was supposed to reduce property taxes, yet much of the revenue from gambling taxes is diverted to corporate welfare, such as horse racing.

- **Subsidies Spent Out-of-State**

A Tribune-Review analysis found [a bulk of the prize money went to out-of-state owners](#), including at least \$1 million to the [multi-billionaire vice president of the United Arab Emirates](#). Additionally, an [Independent Fiscal Office report](#) found more than 20% of prize money was spent out of state.

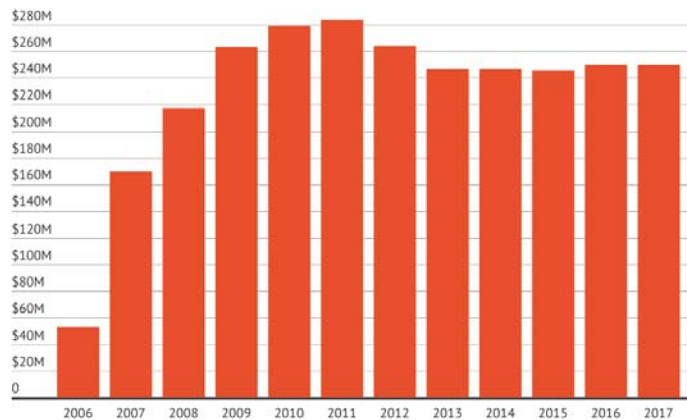
- **Handouts are Costing Jobs**

Pennsylvania's economy is struggling due to a high tax burden, excessive government spending and corporate handouts. We lead the nation [in economic development subsidies](#), yet in 2016 we [lost population for the first time in 31 years](#).

- **Attendance & Betting on the Decline**

Billions in subsidies have failed to reinvigorate horse racing. A [Pennsylvania Gaming Control Board \(PGCB\) report](#) shows attendance, gross terminal revenue, and taxable handle (wagers) are down from 2015.

Horse Racing Subsidies



Additional Solutions

- **Continue Liquor Privatization**

Privatizing alcohol sales would not only increase revenue, but also reduce PLCB costs. These proposals would generate **between \$1 million and \$1 billion** in terms of upfront revenues, and in annual license fees and tax revenues from reducing border bleed.

- **Prioritize All Spending**

We've identified about \$2 billion outside the General Fund ripe for reprioritization. These funds include the Keystone Recreation, Park and Conservation Fund and the Public Transportation Trust Fund.

- **Adopt Meaningful Long-term Welfare Reforms**

If we are to put our fiscal house in order, addressing the long-term growth while improving the quality of programs must be a top priority. The proposed budget estimates \$350 million in Medicaid savings, which will likely require significant reforms. One potential solution is **meaningful work requirements**. When enacted in other states, these requirements reduced **welfare rolls because more individuals found jobs**—both saving money and helping families transition from poverty to prosperity.

The state's budget deficit isn't the result of taxes being too low. Rather, the state's troubles stem from surging government spending, which has contributed to **slow economic growth** and led to a shrinking population. Lawmakers need to address spending and tax reform to end our perpetual budget crisis.