Initial response to Governor Wolf’s proposed 2021-22 budget

Thursday, February 4, 2021
Overview

▸ $37.8 billion budget proposal
  ○ Increased education spending ($1.6 billion)
  ○ Small increases in many other areas but a largely austere budget

▸ Balanced budget funded in part by
  ○ Personal income tax increase ($2.9 billion)
  ○ Corporate income tax increase (208 million)
  ○ Enhanced FMAP (federal Medicaid / Medical Assistance) rate ($2.3 billion)
  ○ Increase in the minimum wage ($120 million)
In Pennsylvania, higher income taxpayers pay a lower share of their income in state and local taxes.

The lowest 20% pay more than double the tax rate of the top 1%.
### Taxes: Personal Income Tax

- Increase in the rate from 3.07% to 4.49%
- Expansion of tax forgiveness

#### Income Thresholds for Complete Exemption and Tax Reductions

<table>
<thead>
<tr>
<th>Type of Filer and Number of Dependents</th>
<th>Maximum for 100% Tax Forgiveness</th>
<th>PIT Reduced for Taxpayers Earning This Amount or Less</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, 0 Dependents</td>
<td>$15,000</td>
<td>$49,000</td>
</tr>
<tr>
<td>Single, 1 Dependent</td>
<td>$25,000</td>
<td>$59,000</td>
</tr>
<tr>
<td>Single, 2 Dependents</td>
<td>$35,000</td>
<td>$69,000</td>
</tr>
<tr>
<td>Single, 3 Dependents</td>
<td>$45,000</td>
<td>$79,000</td>
</tr>
<tr>
<td>Single, 4 Dependents</td>
<td>$55,000</td>
<td>$89,000</td>
</tr>
<tr>
<td>Married, 0 Dependents</td>
<td>$30,000</td>
<td>$64,000</td>
</tr>
<tr>
<td>Married, 1 Dependent</td>
<td>$40,000</td>
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<tr>
<td>Married, 2 Dependents</td>
<td>$50,000</td>
<td>$84,000</td>
</tr>
<tr>
<td>Married, 3 Dependents</td>
<td>$60,000</td>
<td>$94,000</td>
</tr>
<tr>
<td>Married, 4 Dependents</td>
<td>$70,000</td>
<td>$104,000</td>
</tr>
</tbody>
</table>
Taxes: Personal Income Taxes

Impact of the proposal on taxpayers
- Taxes go down for 40% of families
- Taxes stay the same for 27% of families
- Taxes go up for 33% of families
Taxes: Corporate taxes

- Combined reporting closes Delaware loophole
- Decline in corporate tax rates to 8.99% on January 1, 2022
- Gradual reductions until the rate reaches 5.99% in 2026
Pennsylvania ranks 44th in % of K-12 education funding from the state.
Because only new money goes through the fair funding formula, PA’s current method of public school funding still leaves schools with higher shares of students of color behind.

New funding per student going through the fair funding formula.

Base funding per student.

Per Student Funding by Percent Share of Students of Color, Base Funding and New Funding.
K-12 Education

▷ All current BEF funding be distributed through the fair funding formula
▷ $1.15 billion in additional BEF funding provided to schools that would lose funding
▷ Additional $200 million increase in BEF so that all school districts receive some increase
▷ Charter school law reform
▷ Increase in minimum teacher salaries
Education

▷ $200 million increase in Special Ed
▷ $30 million for early childhood
▷ Changes in ed tax credit
Higher Education

$199 million Nelly Bly Scholarships
- Funded by transfers from the Race Horse Development fund
STATE SYSTEM FUNDING RELATIVE TO GROSS STATE PRODUCT FALLS TO ONLY 38% OF THE 1983-84 LEVEL

Ratio of inflation-adjusted (2016 dollars) state system funding to real PA GSP (Gross State Product)
1983-84 = 100%

38%
Pennsylvania spends $930 million more on corrections than on colleges.

$1.76 billion on colleges

$2.69 billion on prisons
Through the Race Horse Development Fund, PA spends three times as much on horses as it does on students attending PASSHE schools.

Since 2004 the commonwealth has spent almost $3 billion supporting the race horse industry.

Winners purses are primarily paid from tax dollars, a total of $152.6 million this year.

Half these purses are won by non-residents, a total of $88 million in 2018.

14 PA state universities, with a total enrollment of 90,415, received $468.1 million in 2018, $5,177 per student.
Increase in Minimum Wage

- $12 in July ➔ $.50 yearly increases ➔ $15 by 2027

- Establish one fair wage – eliminates the tipped minimum of $2.83/hour

- Would generate $116 million in Personal Income and Sales and Use Tax revenue
EVERY STATE AROUND PENNSYLVANIA HAS RAISED THEIR MINIMUM WAGE MULTIPLE TIMES.

PENNSYLVANIA HAS BEEN STUCK AT $7.25 FOR MORE THAN 10 YEARS!

Minimum Wage As Of Jan 1, 2021
* ON THE PATH TO $15/HR BY 2025
RAISING THE MINIMUM WAGE TO $15 BY 2027 WOULD INCREASE WAGES FOR 27.5% OF PA’S WORKFORCE
PROJECTED INCREASE IN TOTAL PENNSYLVANIA WAGES WITH A GRADUAL INCREASE IN THE MINIMUM WAGE TO $15/HR
Initiatives to improve economy by investing in businesses and workforce

▷ Back to Work PA: $3 billion (over 10 years) to stabilize economy and recover from the pandemic
▷ Paid for with a severance tax
▷ For:
  ○ Breakdown barriers to employment (wrap around supports including childcare, training)
  ○ Apprenticeships
  ○ Expand broadband
  ○ Support the supply chain
  ○ Invest in distressed communities
Human Services

- Investing $87 million in federal funds for Child Care Works
- $1 million for legal services to support low-income families
- Intellectual disabilities: funding to serve additional 732 individuals on the waiting list through the Community Living Waiver/100 through Consolidated Waiver
- Comprehensive training for direct care workers
- $1 million for housing security to decrease kids in foster care due to instable housing
Criminal Justice Reform

▷ Fair funding for state police coverage
▷ Reforms related to law enforcement, bail and pre-trial and probation
▷ Comprehensive clean slate legislation
▷ Medical release reform
▷ Indigent defense
▷ Compensation for wrongfully convicted individuals
Other things

▷ Adult-use marijuana legalization

▷ Increase capacity for public health ($8.3 million)

▷ Lead and asbestos remediation in schools with funding through RACP ($1 billion)
Thank you!