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## **What's Keeping Pennsylvania From Passing a Budget?**

School districts across Pennsylvania have been complaining for years about the way the state funds its K-12 education system. The poorest local systems have the most reason to complain; they have extra-large burdens, but they don't receive any extra help from Harrisburg. Joe Gorham runs one of those poor districts, the Carbondale Area School District in northeastern Pennsylvania. He thinks the state needs a complete overhaul in the way it funds public schools. A year ago, Gorham thought meaningful change might be on the way: A new governor had just taken office promising to make school funding a top priority.

But for six months (from July through the end of December), no lifeline had come from Harrisburg. Instead, a protracted budget fight between Democrats and Republicans at the state capitol choked off state funds for schools starting in July and nearly forced the Carbondale schools to shut down. As 2015 trudged to a close, Gorham couldn't help wondering whether the same event that gave him hope — the arrival of a new governor — had instead added to his district's troubles. The state didn't start cutting checks for schools until a partial budget passed in late December. Even with the stopgap measure in place, the prospects of a major school funding overhaul are still very much in doubt. But what is certain is that just having the conversation exacted a heavy toll on schools.

Pennsylvania offers proof that states are not immune from the partisanship that has crippled Congress and the federal government. Just as in Washington, lawmakers in Harrisburg last year strained to keep the government's lights on and the bills paid. And just as in Washington, the forces that led to gridlock are deeply ingrained and unlikely to disappear soon. It's not a comforting prospect for those dependent on the state for crucial assistance, particularly schools, which are at the heart of the recent impasse.

Tom Wolf, the state's new Democratic governor, campaigned in 2014 on the idea of taxing companies drilling for natural gas and using the money to reimburse school systems, which experienced big cuts under the previous administration. But Republican lawmakers, emboldened by new leadership and the biggest legislative majorities for either party in Pennsylvania since Dwight D. Eisenhower was president, balked at the energy production tax. The result was an inability to produce a state budget and a partial shutdown of state government after the July deadline.

With no budget in place, Pennsylvania stopped sending money to support school districts. That put Carbondale in a tight spot. The district didn't have a lot of money to begin with, and it had already depleted its reserves to cope with state budget cuts after the Great Recession. So Carbondale borrowed \$1 million to make payroll while the fight in Harrisburg continued. In the second half of the year, the district skipped all payments to its teacher pension fund and withheld contributions to a local charter school. Still, the district's cash balance dipped at one point to just \$11,000. Gorham weighed the idea of shutting down Carbondale schools one day a week to save on utility costs. He considered a one-day systemwide protest closure to bring attention to the dire financial straits the district found itself in. But ultimately he decided that those moves would be too disruptive. "These funding stalemates not only affect our students and our teachers here on the campus," Gorham says, but they also "have a greater impact on the community at large, because this is the main employer."

By October, 27 school districts had borrowed a total of \$431 million from banks and other sources to keep their schools open during the standoff. Hard-hit districts like Carbondale became the poster children of the budget crisis early on. But dozens of other districts reported that they, too, would have to resort to borrowing if state money didn't start flowing by November. Even with the added pressure on lawmakers and the governor to reach a deal, it wasn't until after Christmas that the first break in the impasse came. Wolf allowed most of a partial budget to become law, even though he called the legislation "garbage." He vetoed many provisions to force lawmakers to return to the negotiating table. The governor said the budget falls short, in part because it does not include enough new money for schools. But the agreement does mean that schools will finally start to get money, as will many other organizations that had borne the brunt of the gridlock.

The budget stalemate has squeezed more than just schools. Counties, which rely on the state for as much as 40 percent of their budgets, have scrambled to deal with the revenue loss. Several stopped paying vendors. Others cut programs, laid off staff, depleted reserves and borrowed money. "As wards of the state, Pennsylvania's counties have been malnourished and mistreated this year," wrote Charlie Ban of the National Association of Counties. What's more, both the state and county have depended on nonprofit safety net providers to continue offering social services. The effect of the impasse hit close to home for legislators, too. The state Senate had to take out a \$9 million loan from PNC Bank so it could pay legislative staff during the shutdown.

The prolonged standoff stems, in part, from the fact that Pennsylvania voters are themselves deeply divided. Wolf, a wealthy businessman and former state revenue secretary, won the governorship handily in 2014 over the unpopular incumbent Republican, Tom Corbett. It was a stinging rebuke for the GOP, marking the first time a sitting governor of either party had lost a re-election bid since the state constitution was changed to allow two-term administrations in 1968. At the same time, however, voters increased Republican majorities in the legislature. The GOP lawmakers elected in 2014 and in the previous 2010 midterm election are to the right of their own party predecessors. In one sign of the philosophical shift, GOP senators chose more conservative leadership following the elections. "You have two sides of an issue," says Terry Madonna, the director of the Center for Politics and Public Affairs at Franklin and Marshall College. "They both think they're right, and they both have a mandate to do what they think is right."

In short, the 2014 election gave both sides little incentive to compromise on the most important issues. Besides education and energy taxes, the two parties clashed over myriad things, such as how to offer property tax relief, whether to privatize some or all of Pennsylvania's state-owned liquor business and whether to shift state employees from traditional pensions to 401(k)-style retirement plans. But most, if not all, of those questions divided Harrisburg well before Wolf took office. The difference in 2015 was that both sides knew the deal they struck in the governor's first year would set the tenure for the rest of his term. That emboldened Wolf to refuse to sign a stopgap measure in the summer that would have kept the state running as normal while its leaders negotiated. It would have come as a relief to some of the state's strapped agencies and programs, but it would have taken pressure off Republicans to strike a permanent deal. Both sides also dismissed overtures from each other that they saw as insignificant. "This budget really matters," says Stephen Herzenberg, executive director of the left-leaning Keystone Research Center. "It matters partly because of what's specifically in the budget, but it also matters to the nature of the political process in Pennsylvania for the next three-plus years."

The deadlock of 2015 was by no means the first long-delayed budget for Pennsylvania. In the 1960s, budgets were chronically late: An epic showdown in 1969 lasted 247 days (although the state operated on stopgap budgets in the meantime). Pennsylvania's last Democratic governor, Ed Rendell, went into overtime negotiations three times in his eight-year tenure. In fact, Madonna says,

many Pennsylvania governors have begun their terms with budget fights that initially damaged their popularity, only to see their standing rise in time for re-election.

But the most recent budget crisis does stand out. Unlike the others, it came on the heels of a deep recession that left localities and social services agencies ill-prepared for another financial hit. As a result, the consequences have been significantly worse.

Gorham, the Carbondale superintendent, worried as the stalemate dragged on that the struggle to reach a budget deal would suck the oxygen out of Harrisburg for solving longstanding problems, including one that forced the standoff. "My fear is that we'll pass a budget, and everybody will forget about the main issue," he says. "The main issue is that schools are not fully and fairly funded across the commonwealth. That should not continue."

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