



## Turning Pennsylvania

*Slowly but surely, blue has changed to red*

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Pennsylvania GOP supporter Georgia Touloumes, seated, and family celebrate early wins by Donald Trump, November 8. Photo credit: Stephanie Strasburg / Pittsburgh Post-Gazette / AP

On election night, Pennsylvania shocked the country by voting for a Republican presidential candidate for the first time in 28 years. Just days before, Pennsylvania had been written off by experts who assumed the state's streak of voting Democratic would continue. But in addition to proving them wrong, Pennsylvanians also elected 13 Republicans to the House of Representatives (out of a state delegation of 18), reelected noted fiscal conservative Pat Toomey in the most expensive Senate race in U.S. history, and expanded Republican majorities in both chambers of the state legislature to the highest level either party has enjoyed in over 60 years.

How did this shift happen so quickly? The truth is, it didn't. Changing demographics, voter revolts against the political establishment, and the financial strain of big government have all been transforming Pennsylvania, typically considered one of the largest "blue" or at least "purple" states in the nation, into the reddest state in the Northeast.

This gives the Keystone State's nickname new meaning. Pennsylvania stands at the cusp of enacting transformational policies that could serve as "brushfires of freedom" throughout the Northeast and the nation. And for taxpayers, that transformation cannot come quickly enough.

### A State on the Brink

The backdrop for the dramatic change in Pennsylvania is the cumulative failure of big government policies. For decades, the state has hovered at the bottom of nearly every measure of economic growth and opportunity. From 1970 to 2015, the state ranked 49th in job growth, 45th in personal income growth, and 48th in population growth.

The state remains saddled with Prohibition-era restrictions on liquor sales. Its public schools, while spending \$3,500 more per pupil than the national average, are underachieving. More than 100,000 Pennsylvanians have migrated from the state in just the last three years. Last year alone, Pennsylvania—still the sixth-largest state in the nation—lost one resident, net, to another state every 12.5 minutes. Over the past eight decades, the state's representation in Congress has plunged from 36 seats to 18, cutting its Electoral College votes nearly in half, from 38 to 20.

The source of many of these problems will come as no surprise to observers. Pennsylvanians suffer under the 15th-highest state and local tax burden in the nation, according to the Tax Foundation. The revenue funds out-of-control state spending, which has risen \$4,000 per person (inflation-adjusted) since 1970. With an unfunded public pension liability of more than \$60 billion, Pennsylvanians face the prospect of ever-higher state and local taxes. The state is not in the same dire fiscal condition that, say, Illinois is, but it has been heading in that direction.

Public opinion surveys demonstrate that Pennsylvania voters want their elected officials to tackle these critical issues. A majority of voters, including half of Democrats and 58 percent of Republicans, support fixing the broken pension system by offering 401(k)-style plans to all new state employees. Similarly, public support for expanding school choice transcends party lines. More than 60 percent of Pennsylvania voters, including majorities among Democrats, Republicans, and independents, want to eliminate the antiquated system of state-owned and -operated liquor stores. Almost two-thirds of voters, including more than 60 percent of Democrats, believe state spending growth should be limited to the rate of inflation and population growth.

But for decades, reforms crucial to growth and opportunity have been stymied by the leaders of Pennsylvania's powerful government unions and the politicians of both parties who accommodated their demands. That seems to be coming to a close.

### Shifting Political Winds

Pennsylvania has been experiencing gradual regional political shifts for two decades. The old coal and steel industrial region around Pittsburgh was once a haven for Democratic politics. But most of Western Pennsylvania has been trending increasingly Republican. The result has been legislative pickups for the GOP, as more conserv-ative Republicans have replaced moderate Democrats. In contrast, the Philadelphia suburbs, long a Republican stronghold, are increasingly blue, although moderate Republicans still hold a number of state legislative and congressional seats in the region.

Combined, these trends have given Republicans growing legislative majorities in recent years. What's more, despite no term limits, turnover in the general assembly has been high, particularly among Republicans. Eighty-five percent of the senate Republican caucus and 88 percent of house Republicans have come into office since 2002. And just as important, hidden in the party numbers is a crucial shift in ideology. The legislature has become not only more Republican but also more fiscally conservative.

### Taxpayers vs. Big Government

Ideology matters because this is not the first time Republicans have controlled both chambers of the legislature. They did so for much of the recent past—including from 2011-2015 under Republican governor Tom Corbett—without delivering major policy change.

That was because Republican legislative leaders and a handful of moderate-to-liberal Republican legislators worked with Democrats to pass tax increases under Democratic governors and to thwart important policy advances under Republican governors. Those members, regardless of party label, were reliable allies of big government.

One element sustaining that bipartisan dynamic was the financial and political power of government unions. Since 2007, public sector unions have spent \$91 million on policies, politicians, and candidates that would grow government, pushing the state toward the same fiscal crises facing Illinois, California, New Jersey, and other large states.

Corbett's experience as governor illustrates this power. His top initial priority was school choice scholarships for low-income students. This resulted in an expansion of Pennsylvania's highly successful tax-credit scholarship program, but the effort to create a more robust and wide-reaching voucher program fell flat on its face, badly eroding his reputation. The teachers' unions led opposition to the initiative, vehemently lobbied against it, and even formed a fake antitax grassroots organization as part of their effort.

Two of Corbett's other major priorities—pension reform and privatization of government-run liquor stores—never even reached his desk despite popular support. Who fought fiercely against those reforms? Democrats, government union leaders, and their moderate Republican allies. Corbett's experience exposed the extent of government union control even in a Republican-majority legislature.

They also propagated myths to advance their agenda, particularly regarding education funding. Corbett's first budget coincided with the expiration of the federal "stimulus"—which had supplemented state tax dollars to the tune of more than \$3 billion the prior year. The result: Despite an increase in state taxpayer funding to public schools, school districts had less to spend as stimulus funding expired.

For the next four years, Pennsylvania's two largest teachers' unions—the Pennsylvania State Education Association and the Philadelphia Federation of Teachers—undertook a multimillion-dollar propaganda effort, including paid newspaper and television ads, accusing Corbett of "cutting a billion dollars from education." They hammered this theme in the 2014 gubernatorial election, in which Corbett was pitted against Democrat Tom Wolf. Four of Wolf's top 10 contributors were government unions.

All told, Wolf received more than \$3.4 million from 12 government union PACs that donated at least \$5,000 to his campaign. Additionally, three government unions funneled \$1.6 million to a Democratic Governors' Association super-PAC, which ran independent attack ads bludgeoning Corbett with the education funding-cut myth. Republicans enjoyed a generally good year in 2014, but Wolf won in Pennsylvania, maybe reinforcing for some national observers the sense that the state was durably liberal.

### America's Most Liberal Governor?

In fact, Wolf as governor has been left isolated by Pennsylvania's political transformation. This is partly his own doing. He did not run as a typical liberal Democrat. His campaign portrayed him as a "different kind of governor." Ads featuring his Jeep showed his "regular guy" qualities, touted his business experience, and played up management chops that could foster "government that works." But since taking office, Inside.gov has rated him the "most liberal governor in America," and the Cato Institute's Fiscal Policy Report Card gave him an "F," its lowest rating among governors.

But Wolf's isolation is mainly the result of the state's changing political landscape. Wolf may have handily won the 2014 gubernatorial election, but Republicans picked up state legislative seats, adding to their majorities and dominating competitive races. Republican state house candidates earned 229,000 more votes than Democrats statewide, and 30 house Republicans won districts Wolf carried. In the 25 senate seats on the ballot that year, Republican candidates earned 202,000 more votes than Democrats, and nine Senate Republicans won in districts that voted for Wolf.

This split set up a showdown between Wolf and the legislature that erupted when Wolf proposed a record \$4.6 billion tax increase in his first budget. Not only was this the largest tax proposal by any governor in 2015—it was larger than the combined tax hikes proposed in all 49 other states. Wolf's plan called for higher income taxes and expanding the sales tax to everything from day care, diapers, and college meal plans to nursing home care and funerals. In total, it represented a net tax increase of \$1,400 per family of four.

Because the Republican majority has grown noticeably more conservative, lawmakers successfully rebuffed this agenda. When Wolf's tax plan came to the house floor as an amendment, it received zero votes. Even a scaled-down version with fewer tax increases was defeated on overwhelmingly bipartisan grounds. This led to a nine-month budget impasse—the longest in 60 years. The final compromise was a budget with zero tax increases, a complete defeat of Wolf's plan.

This contrasts sharply with the experience of only a few years before. Democratic governor Ed Rendell also faced a prolonged budget battle with a Republican legislature in 2003, his first year. In that standoff, Republicans blinked, joining Democrats to pass an income tax increase. That gave Rendell the momentum to bulldoze his policy agenda through the Republican-controlled house and senate for the next seven years.

Wolf faces a more conservative Republican party and so has had a vastly different experience. In just two years in office, Wolf has issued more vetoes (17) than his two predecessors issued in the preceding eight years. Most significantly, Wolf vetoed major public pension reform, liquor store privatization, and reform to teacher seniority laws, all at the behest of public sector unions.

Wolf has paid a price for this intransigence. In his first year, his job approval rating dropped from a high of 52 percent to a low of 35, rebounding slightly to 40 percent (vs. 50 percent disapproval), in Quinnipiac University polling.

### The Spark of Brushfires

The state's free-market shift has been eroding the government union stranglehold on policy, even with Wolf in office. Wolf has allowed two budgets to become law without his signature—the first time in recent memory this has occurred—both of which spent far less than he wanted.

Over the objections of the AFL-CIO, Wolf felt compelled to sign a law barring unions from engaging in harassment and intimidation tactics. Shockingly, unions had long enjoyed a legal loophole that let them stalk, harass, and even threaten to use weapons of mass destruction with impunity if involved in a labor dispute. Wolf signed legislation requiring a public fiscal analysis of state labor contracts—negotiated behind closed doors—before they could be acted upon.

Wolf even signed a modified version of the liquor store privatization bill that he had previously vetoed—allowing wine to be sold in some grocery stores and restaurants for the first time since Prohibition. While a seemingly minor change to benefit consumers, the union representing liquor store employees vehemently opposed it, rightly seeing it as the start of an eventual move to full privatization.

Litigation has also stymied Wolf and his union allies. Early in his first year, Wolf took advantage of a loophole in the Supreme Court's *Harris v Quinn* ruling by signing an executive order unionizing home health care workers. The move gave his campaign donors AFSCME and SEIU the opportunity to seek dues from 20,000 home care workers—up to \$8 million per year. In response, a lawsuit was filed by the Fairness Center, a public interest law firm founded to defend those harmed by government union leaders, and a state court declared Wolf's executive order unconstitutional.

It's little wonder that challengers are already lining up to take on Wolf in 2018. State senator Scott Wagner—like Wolf a businessman from York County—has unofficially announced his candidacy. In 2014, Wagner became the first state senate candidate to win via a write-in campaign. Largely self-financing his campaign, he faced the Republican nominee in a special election for a vacant seat and has established a reputation as a blunt, Trump-like agent of change. Wagner is a vocal critic of government unions and a champion of paycheck protection legislation that would end the collection of union dues by government agencies.

Representative Mike Kelly from Butler County, recently reelected to a fourth term in Congress, has also expressed interest in the office. The Chevrolet dealer rode the Tea Party wave in 2010 and has established a reputation as a fiery defender of small business and of Pennsylvania's overregulated coal sector. Others rumored to be considering a gubernatorial bid include state senate majority leader Jake Corman, a prominent advocate of pension reform, and state house speaker Mike Turzai, who has led the fight to privatize the government liquor monopoly.

### The Unsurprising Surprise

Given the shifting political demographics, Trump's and Toomey's victories in Pennsylvania should not be shocking. They demonstrate that Republicans, even strong fiscal conservatives, can win across the state. There is even more than one path to doing so. Despite nearly identical statewide numbers, Trump and Toomey took very different paths to victory.

Trump racked up tremendous margins in Western Pennsylvania and rural and blue-collar parts of the state, while winning the conservative midstate. Meanwhile, Toomey matched Trump in the midstate but ran well behind him in Western Pennsylvania—no doubt partly due to Toomey's openness to background checks for gun purchases and his efforts to publicly distance himself from Trump. In contrast, Toomey significantly outpolled Trump in the Philadelphia suburbs, even winning the two important swing counties of Chester and Bucks. Trump's election was not unpredictable. And Toomey's reelection shows there is more than one way to win Pennsylvania and more than one type of Republican who can pull that off.

Toomey's three hard-fought senatorial campaigns also illustrate how Pennsylvania's political winds have changed. In 2004 when he primaryed incumbent Republican Arlen Specter, then-congressman Toomey was the outsider challenging the Republican establishment. Specter,

running for his fifth term in the Senate, was an established moderate-to-liberal Republican. The primary race created a schism within the Republican party—igniting Pennsylvania conservative reformers long before the Tea Party movement surfaced. Specter eventually won the primary by less than two percentage points, aided by endorsements from President George W. Bush and Senator Rick Santorum.

Six years later, the battleground had shifted dramatically. Specter voted for the 2009 stimulus bill and was a key vote to pass Obamacare. His plummeting popularity led him to switch parties to avoid a primary rematch with Toomey. Specter lost the Democratic primary, and Toomey was elected to the Senate over Admiral Joe Sestak in another close election. Today, state Republican establishment figures are celebrating the reelection of Toomey, who, 12 years ago, they argued was "too conservative" to win in Pennsylvania.

### Transformational Change on the Horizon

Pennsylvania's gradual move away from its dark-blue, union-dominated past was reinforced, not revealed, by this election. As the trend continues, state lawmakers will become more likely to seize opportunities for transformational change.

In 2015, the Pennsylvania senate passed a paycheck protection bill, something Republican leaders scoffed at just a few years ago but which is now supported by two-thirds of state voters spanning party lines. The state house did not hold a vote on the reform, but it is primed to be a major issue in the coming session.

This October, lawmakers made another run at meaningful public sector pension reform—devising a bill that the Pew Research Center called "a major turn-around among states" and which would be the nation's largest pension reform measure in terms of dollars moved to a defined contribution plan. With no Democratic support, the measure fell just three votes short of passage in the house. The senate would have passed it easily.

Recent Republican election pickups alone should provide the support needed to push it across the legislative finish line. With the right governor, Pennsylvania could be the largest state ever to reform public pensions. Liquor privatization advocates are sure to continue their reform push. And there is more to come. There is a crying need for expanded school choice, as tens of thousands of students sit on waiting lists for scholarships or charter schools. Legislation to create education savings accounts—patterned after those in Arizona and Florida—has been proposed and could be the next fight for parental choice in education.

Government unions once could be relied upon to block such reforms. But their power in Pennsylvania is weakening. Their chosen candidates—including Toomey's opponent, Katie McGinty, who benefited from \$6 million in support from union-funded PACs and super-PACs—face tough headwinds. Indeed, despite the millions spent by labor leaders in 2016, they failed to oust any lawmakers who supported pension reform, liquor store privatization, school choice, or paycheck protection.

While Republican lawmakers in states like Wisconsin and Michigan took on major labor reforms with success—both are now right-to-work states, for example—Pennsylvania's transformation has been bubbling beneath the surface, less visible to national observers if no less important. And

election results in Wisconsin, Pennsylvania, and Michigan prove that lawmakers can take on powerful government unions, win at the ballot box, and secure victories for taxpayers.

Pennsylvania's red showing on Election Day surprised many, but it shouldn't have. The Keystone State is on the brink of reforms that could spread like brushfire.