Capitolwire: Eachus, Smith offer conflicting solutions to state budgetary shortfalls.

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HARRISBURG (Jan. 7) - With a potential $1.7 billion deficit and a looming national recession, Pennsylvania's finances will be a top priority in the upcoming legislative session.

House Majority Leader Todd Eachus, D-Luzerne, and House Minority Leader Sam Smith, R-Punxsutawney, agree on that. But when it comes to what to do about the state's finances, the House Democratic and Republican leaders have opposing views.

Eachus expressed a commitment to expanding public programs in spite of the financial crisis. The government, he said, should be willing to expand programs to meet the needs of "paycheck-to-paycheck" citizens and to borrow funds for needed improvements in infrastructure.

Smith said the key is to reduce spending without raising taxes or increasing the state's debt. In his view, more debt will lead to more trouble in the future by requiring the state to pay back loans on top of providing services.

In a meeting with reporters Wednesday, Smith said his priorities are to cut expenditures that are duplicated in multiple departments and to find ways to consolidate state programs. In doing this, he said, the state should not increase taxes or take on additional debt, including the federal bailout for states proposed by President-elect Barack Obama.

"You're really not solving the core issue if you're borrowing money to pay today's bills. That's like a family borrowing money to pay for groceries," Smith said. "When you're borrowing money to pay today's bills, that is a recipe for disaster."

Smith called Gov. Ed Rendell's $600 million in spending reductions "good steps" toward balancing this year's budget, but to be effective, he said, those cuts must be reflected in next year's budget as well.

"The truth of whether those are spending cuts is whether the budget that's introduced on Feb. 2 … reflects the current reduction in the spending stream," he said.

In Eachus' view, the budgetary crisis should not interfere with other policy priorities, such as encouraging job growth through public works projects and expanding a program to make health care and prescription drugs more accessible to those who cannot afford them.

He said his constituents want action on these issues and, budget crisis or not, he will try to encourage the Legislature to act.

“Some have said to me, ‘Well, what do you do in this dynamic economic problem? Won’t it all be about the budget, and won’t these other key policies end up on the chopping block?’” Eachus said. “My argument to that is that we shouldn’t freeze in fear from doing these things.”

He also likened the current economic crisis to his experiences running his family's modular office business before being elected to the House in 1996.

"I was a small businessman before I came to this job, and my job was to grow the company, increase revenues," he said. "And sometimes you have to borrow money to expand so the business can grow.

"You have to invest in yourself, you have to take some loans to help yourself grow. Same thing for the economy."

Smith said he believed Eachus was essentially previewing parts of Rendell's upcoming budget proposals. Rendell will hold a conference call Thursday with California Gov. Arnold Schwarzenegger and others to assert that public spending on infrastructure has major public support.

Smith said his caucus' reaction to such proposals for borrowing would depend on the worthiness of the projects, but that this was primarily a year to scale back the budget. He said this year's revenue shortfall of as much as $2 billion could mean next year's budget will be hundreds of millions of dollars less than the current proposal.

Democrats hold a 104-99 majority in the House, and Eachus is the newly appointed leader of the caucus. He replaced Rep. Bill DeWeese of Greene County, who stepped down from the post last year after holding it since 1995.

Smith has been the Republican leader since 2003. When asked to compare DeWeese to Eachus, Smith avoided specifics.

“They’re different,” he said. “Time will tell.”