



Legislative UPDATE

The 2009-2010 State Budget



From State Senator Edwin B. Erickson

Dear Friend:

One of my most important jobs as your Senator is to pass a state budget. It hasn't been an easy task in recent years, with a downturn in revenues and a sluggish economy. This year was particularly difficult because we faced a \$3.2 billion revenue shortfall and the worst economic decline since the Great Depression. All these factors made it extremely difficult to negotiate a final budget, particularly given my opposition to higher taxes and spending. I am pleased to report that the Legislature succeeded in passing a new state budget that cuts spending, includes no broad-based tax increases and will be sustainable in the years ahead. During negotiations with the House and the Governor's Office, we fought to ensure that the budget we passed was fiscally responsible. It protects vital existing services and invests in education while limiting expenditures for expensive new proposals and entitlement programs.

I believe this year's budget represents a fiscally responsible plan for our state residents, one that will allow us to weather the current economic downturn without taking more money out of the pockets of Pennsylvanians already struggling to make ends meet. We are moving in a direction of making the Commonwealth more competitive and more stable. This update provides more information on the final spending plan. I welcome your input on this and other state and local issues.

Sincerely,

Senator Edwin B. Erickson

State Budget Protects Taxpayers, Lowers State Spending Levels

- The Legislature approved a budget package that reduces state spending and maintains state services and programs without a broad-based tax increase.
- Senate Republicans successfully defeated a proposed 16 percent increase in Pennsylvania's personal income tax (PIT) rate from 3.07 percent to 3.57 percent. This tax increase would have taken \$1.5 billion in additional tax dollars from Pennsylvania residents and small businesses, the majority of which pay the personal income tax.
- The proposal sets General Fund spending at \$27.8 billion – more than \$1.172 billion less than the Governor's initial budget request and \$467 million less than the approved 2008-09 budget total of \$28.267 billion.
- This marks the first time during the Rendell Administration that spending has decreased from one budget year to the next.
- The budget reduces spending and provides sustainable funding without a personal income tax increase or raising the state's sales and use tax.
- Basic Education funding is increased by \$300 million and support is restored for several human services programs.
- School districts will see an increase of more than \$1 billion, or 16 percent, when considering increases in Basic Education funding and federal stimulus funds.
- The final budget includes responsible spending and no broad-based tax increases. There will be short-term pain, but history shows that this is the best long-term approach for job growth and the overall economy in Pennsylvania. Going through the budget line by line, our focus was this: is this program truly necessary for public health and safety, or to provide the core functions of state government?
- During the 1991 budget crisis, we learned – painfully – that solving a budget crisis with tax increases kills economic growth. Pennsylvania is still recovering from those mistakes.

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State Budget Protects Taxpayers, Lowers Spending *Continued from front*

- This budget is built on spending that is in line with revenues. It will position our state to rebound quickly when the national economy starts to improve.
- Many programs which are suspended in this budget will be able to resume

when the economy improves. But just like families across this state are doing in their own personal budgets, state government has to make the difficult decisions necessary to live within its means.

- In order to balance revenues and expenditures, the budget eliminates or reduces spending across the board, including the Legislature. The Senate received a \$9.7 million reduction and the House received a \$7.3 million reduction in funding.

Basic Education Receives \$300 Million Increase

School districts will see an increase of more than \$1 billion, or 16 percent, when considering increases in Basic and Special Education funding and federal supplemental funds.

The budget provides more than \$5.5 billion for Basic Education, an increase of \$300 million, or 5.7 percent. Despite limited state revenues, there were no cuts to pre-kindergarten services under Pre-K Counts, which will receive \$86.4 million.

Federal funds will provide \$360 million in new supplemental funding for Special Education to school districts, with the state appropriation at \$1.026 billion.

State and Federal Education Funding

School District	2009-10 Funding	Increase
Tredyffrin–Easttown	\$6.36 million	20.6%
West Chester Area	\$14.03 million	16.4%
Interboro	\$11.76 million	19.1%
Marple Newtown	\$4.97 million	25.7%
Ridley	\$15.87 million	17.0%
Rose Tree Media	\$5.38 million	22.8%
Southeast Delco	\$18.12 million	17.5%
Springfield	\$4.73 million	16.7%
Upper Darby	\$42.05 million	24.8%
Wallingford-Swarthmore	\$5.60 million	16.3%
William Penn	\$26.06 million	15.2%

Independent Budget Office Will Improve Accountability

A provision included in this year’s budget package will fundamentally reform Pennsylvania’s budgeting process while increasing transparency and accountability in state government.

The legislation establishes an independent fiscal office – a non-partisan, bi-cameral agency with expertise in

financial matters. The fiscal office would have access to the same agency and department financial information as the Governor’s Budget Office.

One of the key duties of this office will be to set a binding revenue estimate by June 15 for the coming fiscal year. This would clearly set the parameters by which the Legislature

can consider a spending plan. Right now, the Governor alone certifies a revenue estimate. The budget process would be much more transparent and streamlined if everyone went forward knowing exactly how much money was available.

State agencies and departments will be required to submit their budget requests to the independent fiscal office at the same time they submit them to the Governor’s Office. Pennsylvania is currently one of only eight states where the Legislature does not receive the agency budget requests.

The fiscal office would also develop performance measures for state programs and departments and evaluate the performance reviews of those programs and departments as reported by the Administration. These provisions would be extremely helpful during tough economic times such as Pennsylvania experienced this year. The agency budget requests would enable the Legislature to see their priorities and the performance evaluations would give the General Assembly a better idea of the effectiveness of state-supported services and programs.



Senator Erickson and House Minority Appropriations Chairman Mario Civera discuss budget issues.

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