



Legislative UPDATE

The 2009-2010 State Budget



Senator John Pippy

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. Highlights include:

- The proposal sets General Fund spending at \$27.8 billion – \$1.172 billion less than the initial budget request and \$467 million less than the approved 2008-09 budget total of \$28.267 billion. 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.
- 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?
- In order to balance revenues and expenditures, the budget eliminates or reduces spending across the board, including the Legislature. The Senate received a 10% reduction and the House received a 5% reduction in funding.
- 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. During the 1991 budget crisis, we learned – painfully – that solving a budget crisis with large, broad-based tax increases kills economic growth. Pennsylvania is still recovering from those mistakes.
- 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.
- 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.

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 Education funding and federal supplemental funds. These increases will help to provide students with high-quality education. Highlights include:

- 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.

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. Agency and department 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.

My Offices Are Here to Serve You

Senate Box 203037, Harrisburg, PA 17120-3037
717-787-5839 • FAX 717-772-4437

1009 Beaver Grade Road, Suite 210, Moon Township, PA 15108
412-262-2260 • FAX 412-262-6394

650 Washington Road, Suite 102, Mt. Lebanon, PA 15228
412-571-3822 • FAX 412-571-3828

jpippy@pasen.gov • senatorpippy.com • Toll Free 866-SenPippy