

# Legislative UPDATE

*News on the 2009-10 State Budget*

**From State Senator Dominic Pileggi**

SPRING 2009



Dear Friend:

**A**s we work on the state budget for 2009-10, Pennsylvania faces some serious challenges. On February 4, Governor Rendell made his budget proposal to a joint session of the General Assembly. Over the next several months, the Senate and the House will work together with the Governor to craft a final budget.

This newsletter examines many aspects of the Governor's budget proposal. I hope that you find this information useful, and that you will share your thoughts with me. Please email [dpileggi@pasen.gov](mailto:dpileggi@pasen.gov), or use the contact information on the opposite side of this newsletter. I look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink that reads "Dominic Pileggi". The signature is fluid and cursive, with the first name being more prominent.

Dominic Pileggi

## Current Budget Shortfall

Revenues in the current fiscal year are falling far short of what the Governor projected when he signed the budget in July 2008. As of the end of February, Pennsylvania has a deficit of nearly \$1.3 billion. The Senate Appropriations Committee expects the deficit to increase to at least \$2.3 billion by the end of the fiscal year in June.

Nearly every category of tax collection is below estimate, including corporate taxes, the personal income tax, the sales tax, and the gasoline tax.

## Proposed Budget Cuts

The budget proposal laid out by the Governor includes reductions in 427 line items, including:

- Cutting funding for acute care hospitals by \$24.5 million.
- Closing the Scotland School for Veterans' Children, a \$10.5 million line item.
- Closing the Scranton State School for the Deaf, a \$7.3 million line item.
- Cutting state funding for hospital burn centers by \$5.5 million.
- Cutting state funding for libraries by \$4.2 million.
- Eliminating state museum assistance grants, saving \$3.8 million.
- Eliminating state funding for public television, saving \$3.8 million.

---

## Proposed Tax Increases

In his budget proposal, the Governor proposed several tax increases, including:

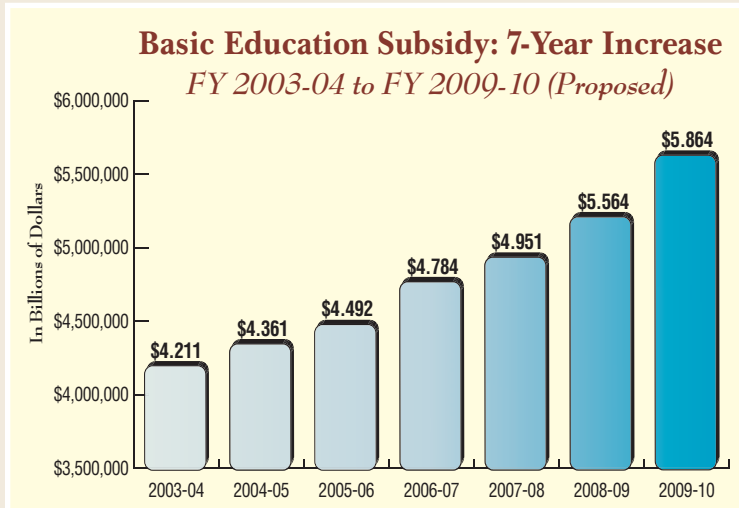
- Allowing counties to impose an additional 1-percent sales tax. This is already done in Philadelphia and Allegheny counties.
- A new 2-percent tax on all Managed Care Organization (MCO) health insurance policies.
- A new tax on the extraction of natural gas within Pennsylvania.
- An additional 10-cent tax on each pack of cigarettes.
- A new tax of 36 cents per ounce for smokeless tobacco, and the equivalent of 36 cents per 10 cigars and cigarillos.
- Eliminating the one-percent discount given to retailers for collecting and remitting the sales tax.

## Federal Stimulus Funds

Pennsylvania is scheduled to receive approximately \$16 billion from the federal stimulus package, officially known as the American Recovery and Reinvestment Act. The Commonwealth has established a website for the public to track and review how these federal funds are spent:

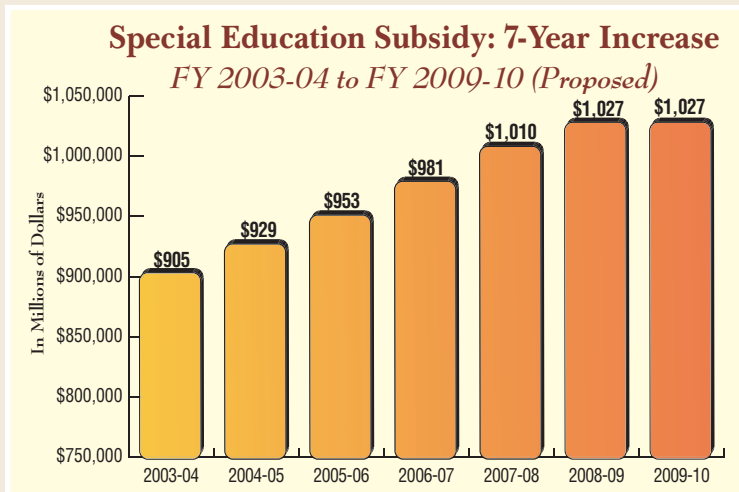
<http://www.recovery.pa.gov>

## Basic Education



The basic education subsidy provides state funding to all 500 Pennsylvania school districts for general operating purposes. Between fiscal year 2003-04 and 2008-09, this appropriation increased by \$1.5 billion, or 36.2 percent. The Governor's proposal for 2009-10 includes a \$300 million, or 5.4 percent, increase.

## Special Education



The special education subsidy provides state funding to assist school districts in meeting the educational needs of students with disabilities. Between fiscal year 2003-04 and 2008-09, this appropriation increased by \$152.5 million, or 17.4 percent. The Governor's proposal for 2009-10 would provide a little more than \$1 billion, the same amount provided in 2008-09. However, the federal government is providing approximately \$425 million in additional funding for special education in 2009-10.

## Largest Departments

In the Governor's \$28.97 billion budget proposal, these five departments would receive the largest appropriations:

Department of Education . . . . . \$11.0 billion  
 Department of Public Welfare . . . \$9.6 billion  
 Department of Corrections . . . . . \$1.8 billion  
 Department of Aging . . . . . \$1.3 billion  
 Department of the Treasury . . . . \$993 million

Combined, those five departments account for more than 85 percent of the state budget.

## Largest Line Items

The five largest line items in the Governor's budget proposal are:

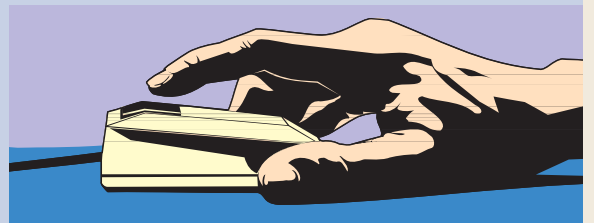
Basic Education Funding . . . . . \$5.9 billion  
 Medical Assistance –  
     Capitation . . . . . \$2.8 billion  
 State Correctional Institutions . . . \$1.5 billion  
 Long-Term Care . . . . . \$1.1 billion  
 County Child Welfare . . . . . \$1.1 billion

## Budget Hearings Online

One of the first steps in the budget process is a series of public hearings held by the Senate Appropriations Committee to examine the Governor's proposals in detail. You can watch this year's budget hearings, or read summaries, here:

<http://tinyurl.com/budget-hearings>

## Newsletters by Email



If you would like to receive these newsletters via email rather than postal mail, contact me at [dpileggi@pasen.gov](mailto:dpileggi@pasen.gov) or call my office at (610) 358-5183.

## Senator Dominic Pileggi

*9th District*

631 W. Baltimore Pike, West Grove, PA 19390 • 610-345-1084 • FAX 610-345-1087

415 Avenue of the States, Chester, PA 19013 • 610-447-5845 • FAX 610-447-5848

100 Evergreen Drive, Suite 113, Glen Mills, PA 19342 • 610-358-5183 • FAX 610-358-5184

Senate Box 203009, Harrisburg, PA 17120-3009

717-787-4712 • FAX 717-783-7490 • Toll Free 1-888-9th-Dist

Email: [dpileggi@pasen.gov](mailto:dpileggi@pasen.gov) • Web Address: [senatorpileggi.com](http://senatorpileggi.com)