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BUDGET PREVIEW

In what represents the first major volley of the 2009-2010 state fiscal year budget debate, the Senate recently passed Senate Bill 850, a \$27.3 billion spending plan which cuts spending by one percent over the current fiscal year and contains no new taxes. The spending plan passed by a vote of 30-20 (perfectly along party lines), and 18 of the 20 members of the Democratic caucus rose to speak against the proposal during floor debate.

Senate Appropriations Committee Chairman Jake Corman noted that the fiscal restraint was necessary due to the fact that expectations are that the Commonwealth will be facing a \$3 billion budget shortfall by June 30, 2009, the end of the fiscal year. Corman added however that the proposal allocated almost \$730 million in federal stimulus revenue for basic education and that, combined with other stimulus money, actually increases funding for education overall.

The proposal also cuts the General Assembly's line item by 10 percent and moves \$100 million of its reserve to the General Fund.

As indicated by the vote, Senate Democrats were less than impressed with the Republican initiative; holding a press conference last week to characterize the cuts included in the legislation as draconian.

Democrats characterized decreased funding for education generally (spurring a 5-10 percent increase in property taxes statewide), Philadelphia City schools specifically, the Earned Income Tax Credit, tourism, and job training as counterproductive and actually more costly in the long-term. In addition, the Senate Republican budget would necessitate the firing of 3,500 state employees and jeopardize the services they provide according to Democratic Senators.

Senate Bill 850 has been referred to the House Appropriations Committee for its consideration.