

# Talking points on House Bill 2279/2010-11 State Budget

## Key elements at a glance

- \$28.043 billion total General Fund spending level.
  - Nearly \$1 billion less than the governor's February proposal.
- No tax increases are included in this budget.
  - The governor proposed removing the sales tax exemption on 74 items, including caskets and burial vaults, museum and zoo admissions, and textbooks.
  - The governor proposed increasing taxes on businesses by implementing combined reporting and by eliminating the vendor discount on sales tax remittance.
- \$121 million hospital assessment plan agreed to by DPW, HAP and MCOs. This will help restore funding for critical care hospitals, burn centers, and ob-gyn facilities.
- EITC (Educational Improvement Tax Credit) increase of \$8 million.
- Restoration of Science in Motion, New Choices / New Options and the MR waiver.
- An agreement was reached to work on a natural gas severance tax, to be enacted by October 1 with an effective date of January 1.
- \$250 million increase for basic education.
- A decrease of more than \$500 million in DPW, compared to the governor's February proposal.
- RACP debt limit increased by \$600 million.
- \$850 million in federal funding from an FMAP extension is anticipated in this budget. If and when that money (in whole or in part) does not come through, steps will need to be taken to rebalance the budget.

Facing the ongoing negative ramifications of Pennsylvania's sluggish economy, the Senate Republican Caucus entered into this year's negotiations with a firm commitment to **passing a budget on time that restrained spending, maintained essential services and programs, and mitigated the financial impact on taxpayers, small businesses and future budgets.**

**House Bill 2279** – the General Appropriations Act of 2010 -- is the result of a compromise among all four caucuses and the Administration. In February, Governor Rendell requested a **\$1.155 billion – about 4.1 percent** -- increase in state spending for Fiscal Year 2010-11.

HB 2279, as amended by the Senate Appropriations Committee and approved by the Senate – **reduced spending by almost \$1 billion** from the Governor's request – which held the total increase to **less than 1 percent.**

HB 2279 appropriates **\$28.04 billion** in spending for FY 2010-11, a **\$202.4 million (0.7 percent)** increase from **\$27.84 billion** in Fiscal Year 2009-10.

That minimal increase is particularly significant in that Pennsylvania also faces more than **\$1 billion in mandated increases** for various programs and services in FY 2010-11:

- Medical Assistance: \$337 million;
- Pension Costs: \$336 million;
- Department of Corrections: \$145 million;
- Debt Service: \$109 million;
- Aging Medical Assistance: \$68 million;
- School Employees Social Security: \$22 million.

Senate Republicans worked to enact a budget that reflects the current economic climate in Pennsylvania. Too many citizens are unemployed or underemployed. Families, communities and employers are struggling to make ends meet during these difficult times.

We are committed to protecting Pennsylvania workers and saving private sector jobs. The state will not move out of the current economic slump through government growth and uncontrolled spending. Rather, Pennsylvania must work toward rebuilding the state's economy by fostering private sector investment and promoting job creation efforts. Therefore, it was

essential to pass a budget that maintained key support services for all of our citizens without increasing taxes.

Senate Republicans **successfully opposed the** Governor's request to impose millions of dollars in new taxes. Rendell proposed the **elimination of 74 current sales tax exemptions**, which would have dramatically impacted family budgets and many small businesses that are struggling to stay in operation during the current economic downturn.

Senate Republicans also **successfully opposed** the Governor's proposed business tax proposals, such as **eliminating the 1 percent fee** granted to vendors for collection of Pennsylvania's sales tax and by **imposing "combined reporting"** requirements on large companies – a move that has been met by expensive lawsuits in the others states which have tried it. Rendell also proposed to impose **new taxes on cigars and smokeless tobacco**.

The state simply cannot afford to hike taxes on families and businesses at a time when Pennsylvania's unemployment rate is at **9.1 percent** and many counties are above **10 percent**.

HB 2279 increases basic education funding by **\$250 million** to a total of approximately **\$5.8 billion**. That increase is partially offset by **\$126 million in reductions** in other areas of the education budget.