

MONEY matters

Senate Democratic Appropriations Committee

Jay Costa, Chairman

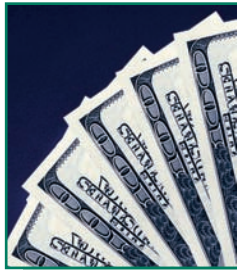
March 2009

Administration Budget Makes Deep Cuts

Governor Rendell announced his proposed budget for the 2009-10 fiscal year last month, and it reflects the bleak state of the national economy and the dramatic negative impact on Pennsylvania's finances.

The new Rendell blueprint completely eliminates 101 line items that received funding in previous years, and reduces another 346 out of 500 line items. Although legislators must still consider the governor's proposal and may restore money in some areas, many programs could experience funding cuts.

The overall size of the General Fund budget,



considering just state expenditures, is approximately \$26.6 billion, or about the same size as the current year's budget after including cuts that the governor is making in response to the declining economy.

Thanks largely to the influx of money from the federal stimulus

package, two parts of the budget with significant growth are education and social services, especially medical assistance for the elderly and disabled. With the rise of the state's prison inmate population, a hike in the Department of Corrections budget was also necessary.

When federal stimulus money is included, the proposed budget would grow to \$28.9 billion.

Few State Tax Changes Contemplated So Far

Despite the weak condition of the economy and dire forecasts of a continuing recession for the months to come, Governor Rendell suggested only targeted tax increases for 2009-10. One key business tax rate would decline.

The proposed increases are:

- A 10-cent per pack increase in the cigarette tax, from \$1.35 to \$1.45 per pack, producing \$60.8 million.
- A new tax on smokeless tobacco (36 cents per ounce) and cigars (36 cents per 10 sticks), producing \$37.9 million.
- A new extraction tax on natural gas, producing \$107 million.
- A new two percent assessment on managed care providers, producing \$200 million in 2009-10.

- Eliminate the 1 percent discount for prompt sales tax remittance.

The administration decided to allow the scheduled reduction in

the Capital Stock and Franchise Tax on businesses to take effect as planned on January 1, 2010. It would go from 2.89 mills to 1.89 mills.

Web Site Contains Budget Information

www.senatorcosta.com/appropriations/

The Senate Democratic Appropriations Committee has a new Internet site to help keep the public informed about state budget topics.

It contains a spread sheet of line items in the budget, comprehensive reports by the Appropriations Committee staff on the proposed and final budgets, news releases about state financial matters, and reference information about the budget and the

Appropriations Committee.

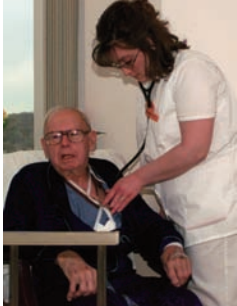
Users can access the web site directly at the following address: www.senatorcosta.com/appropriations/, or by going to Senator Costa's home page at www.senatorcosta.com and clicking on "Appropriations Committee" near the top of the page.

The site also contains a list of Appropriations Committee members and a link to a Senate list of roll calls on legislation that comes before the committee.

New Department of Aging and Long Term Living

The proposed budget for 2009-10 contains one of the largest structural changes in state government in more than a decade, one that affects older Pennsylvanians and those with disabilities. Governor Rendell has recommended creating a new cabinet agency by merging the Department of Aging and the Office of Long Term Living.

Legislative approval is necessary.



Over the next 20 years, the number of older adults in Pennsylvania is projected to grow by more than one million people, from 15 percent of the total population today to more than 22 percent.

The current Office of Long Term Living operates jointly under Aging and the Department of Public Welfare, with most of its programs administered by DPW. The proposal seeks to transfer about \$4.4 in combined state, federal and other funds from DPW to the new department.

Members of the House and Senate Appropriations Committees questioned representatives of the administration about the reorganization during budget hearings, and will be studying it carefully over the next several months before making a decision. They will want to be certain that the consolidation does not reduce service or increase costs.

The Office of Long Term Living currently serves seniors in nursing homes and those receiving long term care in their own homes, as well as some 162,000 persons with disabilities. The Department of Aging, funded largely by the state lottery, administers programs such as Family Caregiver support, PACE and PACENET pharmaceutical benefits for seniors, programs for in-home and community-based care, and others.

We have the third oldest population of any state.

The Rendell Administration contends that the anticipated expansion of the older population reinforces the need for a single department, and that enhanced coordination among programs will give consumers greater support and more options for obtaining the most appropriate type of care, with less confusion. They say the goal is to focus on the needs of the consumers. They also say the new department will save money in the long run by creating more a streamlined and efficient service delivery system, and a leaner, holistic approach to meeting people's needs, rather than a fragmented system of separate programs.

Federal Stimulus Dollars Headed to PA

The federal stimulus bill will provide almost \$18 billion to Pennsylvania. It aims to create 3.5 million good paying jobs over the next two years. The White House estimates that 143,000 of those jobs will be in Pennsylvania.

There are numerous types of funding. Amounts for Pennsylvania in some of the major spending categories follow:

–\$275 million in new unemployment benefits, according to Department of Labor estimates.

–For transportation and infrastructure, \$1 billion for highways and bridges, \$343 million for mass transit, and \$224 million for clean water projects.

–\$100 million in state energy program funds, plus another \$259 million for weatherization for low-income homeowners.

–More than \$400 million for various housing and homeless prevention funds.

–For Medical Assistance, \$4 billion over two years. The state will spend \$1.1 billion in the current fiscal year, \$1.9 billion in 2009-10, and will hold \$1 billion for 2010-11.

–\$754 million in supplemental nutritional assistance (food stamps.)

–The state will receive about \$1.9 billion through the fiscal stabilization fund, at least 82 percent of which must go toward education and 18 percent of which can go to other high-priority budget needs. Other funds flow directly to school districts – \$524 million for Title 1 spending; \$426 million for special education; \$25 million for educational technology. There will also be \$878 million for Pell grants for Pennsylvania low-income undergraduate college students, and \$128 million in job training program grants.

Numerous competitive grants are also available to state and local governments in a variety of categories.

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