



## April Revenue Estimates Plummet POINT TO NEED FOR FISCAL RESTRAINT

General Fund revenue collections for the month ending April 2009 totaled \$2.95 billion, which was \$941.5 million, or 24.2 percent, less than anticipated. Fiscal year-to-date collections total \$21.7 billion, which is \$2.6 billion, or 10.5 percent, below estimate.

Cumulative revenue collections through April 2009 are \$1.8 billion below collections for the same time last year. The Official Revenue Estimate for FY 2008-09 anticipates revenue growth of 3.07 percent over FY 2007-08. Thus far, FY 2008-09 collections are 7.8 percent less than last year at this time.

Motor License Fund collections were \$3.5 million below estimate for the month of April, resulting in a year-to-date shortfall.

Just about every tax category is running below estimate for the year. April's monthly revenue estimate of \$3.9 billion was the second highest monthly revenue estimate for the year, behind only March.

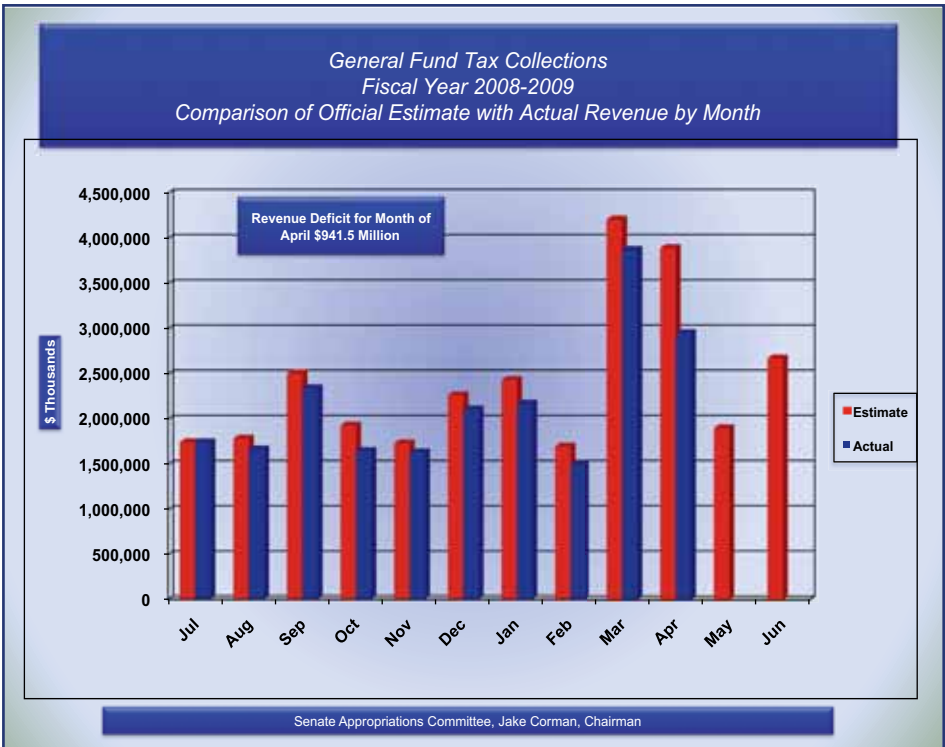
Personal Income Tax revenues, which account for 40 percent of all General Fund tax revenues, were \$568 million below estimate for the month. The revenue shortfall is likely to

grow and may approach \$3 billion or more by the end of this fiscal year.

*“The Governor’s original budget proposal will remain well out of balance and cannot be viewed as a legitimate spending plan going forward.”*

The Governor’s February Budget proposal assumed an end-of-fiscal year revenue deficit of \$2.3 billion. To date, the Governor has not revised his spending plan.

In response to the deteriorating revenues, Senate Republicans introduced a responsible budget that, if enacted, would fund the needs of Pennsylvania citizens without forcing them to pay more taxes and exacerbating the burden on the economy.



## Senate Passes Fiscally Responsible Budget

### *SPENDING CUTS REFLECT AND RESPOND TO ECONOMIC DOWNTURN*

**T**he national economic crisis has hit Pennsylvania hard. Unemployment has reached 7.8 percent and will continue to rise. Gross State Product is not likely to reverse course until the third quarter of 2009.

While the Governor's budget proposal is based on a \$2.3 billion revenue shortfall, as of May 1, the actual revenue shortfall for the current fiscal year is already \$2.6 billion (with a shortfall of \$940 million in April alone). SB 850 is built on an an-

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anticipated revenue shortfall of \$2.9 billion by the end of the current fiscal year, June 30.

The total spending level in SB 850 is \$27.3 billion. (This includes approximately \$24.6 billion in state funds, plus \$2.7 billion in federal stimulus

funds). The 2008-09 spending level, after freezes and lapses, was \$27.7 billion. (Before freezes and lapses, the 2008-09 spending level was \$28.2 billion).

This budget maintains the \$750 million balance in the Rainy Day Fund to balance future budgets.

There are no tax increases in this budget. Governor Rendell recommended tax increases, totaling \$280 million, on natural gas extraction, cigarettes and other tobacco products, and retailers who collect the sales tax.

Spending cuts recommended by Governor Rendell have been adopted in SB 850. Given the existing economic conditions in Pennsylvania and across the nation, additional funding suspensions were necessary to bring this budget into balance.

During the 1991 budget crisis, we learned – painfully – that solving a budget crisis with tax increases kills economic growth. 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.

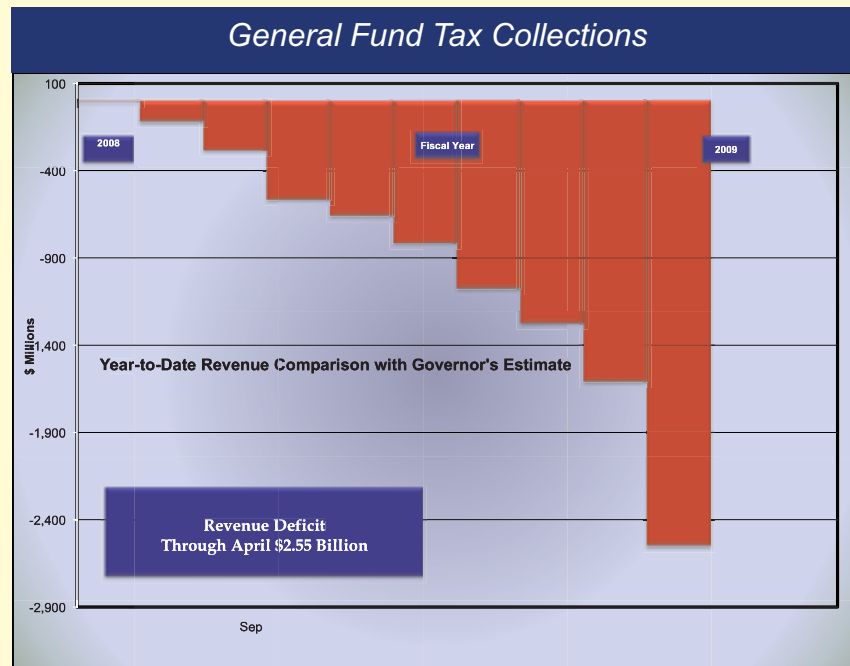
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able to resume when the economy improves. Just like families across this state are doing in their own personal budgets, state government has to make the difficult decisions necessary to live within its means.

Basic education funding is maintained at the 2008-09 level by using a combination of state funds and federal ARRA funds. Special education funding is also maintained, as the Governor recommended. On top of this funding, SB 850 appropriates an additional \$1 billion in new money for Pennsylvania's public schools from the federal stimulus funds.

*Continued...*



Senate Appropriations Committee, Jake Corman, Chairman

In the higher education line items, funding for the State System of Higher Education (SSHE), state-related universities, and community colleges was set at the level required to access available federal stimulus funds for higher education.

Funding to the Department of Community and Economic Development has been cut significantly. Discretionary lines, such as the Opportunity Grant program and the Community Revitalization Program, are suspended.

Funding for nearly all of the non-preferred appropriations, other than the state-related universities is suspended.

Funding for the three row offices – Attorney General, Auditor General and Treasurer – is

cut by approximately 5 percent from the Governor's recommendation.

Funding for the legislature and legislative agencies (e.g. State Ethics Commission, Health Care Cost Containment Council, Commission on Sentencing, and the Independent Regulatory Review Commission) is cut by 10 percent from the 2008-09 budget.

Also included is \$100 million from legislative reserves. Funding for the judiciary is cut by about 10 percent from the 2008-09 budget.

Pennsylvania's tax credit programs will be suspended by a total of \$250 million.

This budget includes a continuation of the Medical Assistance

MCO Assessment (a Michigan-style approach, different than the Governor's proposal), maintaining savings of \$200 million.

This budget incorporates Governor Rendell's proposal to transfer 25 cents of the existing cigarette tax from HCPRA to the General Fund, for a total of approximately \$198 million in 2009-10.

Senate Bill 850 also anticipates the transfer of \$174 million in Marcellus Shale lease payments to the General Fund, the same level anticipated by Governor Rendell in his budget proposal.

This budget also transfers \$18.3 million from the Key '93 Fund to the General Fund (funds which would have gone to the SSHE, libraries, and museums).



## Appropriations Committee Monthly Revenue Report

Account:	(Dollars in Thousands)						
	Revenue 2007-08	For the month of April			For the year through April		
	thru April	Revenue	Official Estimate	Surplus (Deficit)	Revenue	Official Estimate	Surplus (Deficit)
<b>CORPORATE TAXES:</b>							
Clearing Account	\$1,627	\$58,083	\$0	\$58,083	\$60,999	\$0	\$60,999
Corp. Net Income	\$2,032,315	\$276,074	\$407,000	(\$130,926)	\$1,607,694	\$1,912,700	(\$305,006)
Cap. Stock & Franchise	\$835,383	\$91,675	\$137,300	(\$45,625)	\$645,600	\$777,400	(\$131,800)
Gross Receipts	\$1,347,678	\$2,289	\$9,600	(\$7,311)	\$1,380,375	\$1,486,700	(\$106,325)
PURTA	\$7,585	\$15,847	\$4,600	\$11,247	\$17,878	\$7,200	\$10,678
Insurance Premiums	\$417,928	\$46,784	\$51,500	(\$4,716)	\$422,950	\$445,100	(\$22,150)
Financial Institutions	\$189,747	\$401	\$2,200	(\$1,799)	\$195,409	\$189,200	\$6,209
Other Selective Bus. Taxes	\$14,967	\$2,318	\$4,500	(\$2,182)	\$11,696	\$15,700	(\$4,004)
<b>CORPORATE TAX TOTAL</b>	<b>\$4,847,230</b>	<b>\$493,472</b>	<b>\$616,700</b>	<b>(\$123,228)</b>	<b>\$4,342,601</b>	<b>\$4,834,000</b>	<b>(\$491,399)</b>
<b>CONSUMPTION TAXES:</b>							
Sales, Use & Occupation Tax	\$7,090,788	\$688,438	\$759,300	(\$70,862)	\$6,852,553	\$7,273,800	(\$421,247)
-Motor Vehicle Sales	\$909,554	\$90,067	\$108,300	(\$18,233)	\$789,076	\$894,800	(\$105,724)
-General (net of transfers)	\$6,181,234	\$598,371	\$651,000	(\$52,629)	\$6,063,477	\$6,379,000	(\$315,523)
Cigarette Tax	\$637,800	\$61,756	\$63,400	(\$1,644)	\$621,658	\$637,000	(\$15,342)
Malt Beverage Tax	\$21,673	\$2,061	\$2,100	(\$39)	\$21,365	\$21,600	(\$235)
Liquor Tax	\$213,267	\$18,422	\$21,100	(\$2,678)	\$221,116	\$220,300	\$816
<b>CONSUMPTION TAX TOTAL</b>	<b>\$7,963,528</b>	<b>\$770,677</b>	<b>\$845,900</b>	<b>(\$75,223)</b>	<b>\$7,716,692</b>	<b>\$8,152,700</b>	<b>(\$436,008)</b>
<b>OTHER TAXES:</b>							
Personal Income Tax	\$9,173,481	\$1,474,480	\$2,125,900	(\$651,420)	\$8,658,889	\$9,686,800	(\$1,027,911)
-Withheld PIT	\$6,499,250	\$614,143	\$697,500	(\$83,357)	\$6,553,059	\$6,854,200	(\$301,141)
-Quarterly & Annual PIT	\$2,674,231	\$860,337	\$1,428,400	(\$568,063)	\$2,105,830	\$2,832,600	(\$726,770)
Realty Transfer Tax	\$362,000	\$18,459	\$31,700	(\$13,241)	\$248,719	\$341,700	(\$92,981)
Inheritance & Estate Tax	\$669,542	\$69,536	\$78,300	(\$8,764)	\$639,146	\$722,800	(\$83,654)
Minor & Repealed	\$9,281	\$6,830	\$4,200	\$2,630	\$10,778	\$6,800	\$3,978
<b>OTHER TAXES TOTAL</b>	<b>\$10,214,304</b>	<b>\$1,569,304</b>	<b>\$2,240,100</b>	<b>(\$670,796)</b>	<b>\$9,557,533</b>	<b>\$10,758,100</b>	<b>(\$1,200,567)</b>
<b>GENERAL FUND TAXES</b>	<b>\$23,025,062</b>	<b>\$2,833,453</b>	<b>\$3,702,700</b>	<b>(\$869,247)</b>	<b>\$21,616,826</b>	<b>\$23,744,800</b>	<b>(\$2,127,974)</b>
<b>NON-TAX REVENUES</b>	<b>\$472,915</b>	<b>\$119,497</b>	<b>\$191,800</b>	<b>(\$72,303)</b>	<b>\$43,131</b>	<b>\$466,000</b>	<b>(\$422,869)</b>
<b>GENERAL FUND</b>	<b>\$23,497,977</b>	<b>\$2,952,951</b>	<b>\$3,894,500</b>	<b>(\$941,549)</b>	<b>\$21,659,957</b>	<b>\$24,210,800</b>	<b>(\$2,550,843)</b>
<b>MOTOR LICENSE FUND:</b>							
Liquid Fuels Tax	\$477,265	\$85,033	\$50,050	\$34,983	\$436,549	\$456,355	(\$19,806)
Fuels Use Tax	\$132,080	\$9,550	\$12,740	(\$3,190)	\$125,603	\$132,480	(\$6,877)
Motor Carriers Road Tax	\$29,101	\$1,242	\$1,940	(\$698)	\$30,184	\$29,050	\$1,134
Alternate Fuels	\$634	\$13	\$10	\$3	\$175	\$210	(\$35)
Oil Company Franchise Tax	\$378,862	\$23,018	\$38,540	(\$15,522)	\$373,720	\$377,970	(\$4,250)
Licenses and Fees	\$704,424	\$91,912	\$85,680	\$6,232	\$716,331	\$710,510	\$5,821
Other Motor Receipts	\$344,125	\$134,047	\$130,910	\$3,137	\$566,294	\$558,230	\$8,064
Miscellaneous	\$68,809	(\$14,831)	\$6,650	(\$21,481)	(\$40,069)	\$49,510	(\$89,579)
<b>MOTOR FUND</b>	<b>\$2,135,300</b>	<b>\$329,983</b>	<b>\$326,520</b>	<b>\$3,463</b>	<b>\$2,208,788</b>	<b>\$2,314,315</b>	<b>(\$105,527)</b>