

News Item from State APSCUF

February 9, 2010

Rendell Offers Final Budget Plan; No Increase for PASSHE

Highlights of Governor Rendell's \$29 billion state budget plan for the year that starts July 1:

THE BIG PICTURE

- An overall increase in spending of about 4 percent.
- Nearly \$26.3 billion in taxes, fees and other state revenue, plus nearly \$2.8 billion in federal economic stimulus money.
- No increase in the state income tax.

TAXES

- Reduce the sales-tax rate from 6 percent to 4 percent and extend the tax to services and certain other transactions that are currently exempt, including purchases of candy and gum, firewood, personal hygiene products and airline catering, to generate \$531 million. Exemptions for groceries, clothing and prescription drugs would remain intact.

- Impose a new severance tax on natural-gas production _ 5 percent of value, plus 4.7 cents per 1,000 cubic feet of gas _ to generate \$161 million. Rendell advanced a similar proposal last year that went nowhere.

- Extend the state tax on tobacco sales to cigars and smokeless tobacco to raise \$42 million. A similar plan was proposed last year.

- Eliminate a 1 percent incentive that retailers currently get to keep if they submit sales-tax money on time, which is expected to save \$74 million. A similar plan was proposed last year.

- Overhaul business taxes by reducing the corporate net income tax rate from 9.99 percent to 8.9 percent, closing the "Delaware loophole" that allows businesses based in other states to avoid the tax on their Pennsylvania operations and lifting the cap on deductions for net operating losses that businesses may carry forward to raise \$67 million.

SPENDING

- \$11.8 billion, up 4 percent, for education programs.
- \$9.7 billion, up 4.5 percent, for the Department of Public Welfare.
- \$1.9 billion, up 7.7 percent, for the Corrections Department.
- \$1.3 billion, up 5.5 percent, for senior citizens' services.
- \$1.1 billion, up 9.8 percent, for debt service payments.
- 1 percent spending reduction in all areas except for debt service and the departments of Education, Aging and Long Term Living, Public Welfare, Corrections and Probation and Parole.

Sources: State budget documents, Rendell administration, Associated Press.

PASSHE FUNDING AT A GLANCE

	Actual 2008-09	Revised Available 2009-10	Governor's Request 2010-11
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State System Higher Education						
State Universities		6911 S	476,441	444,470	444,470	
ARRA - Fiscal Stabilzition - Higher Education	Sup	6911.5 F	27,068	38,158	38,158	
Recruitment of the Disadvantaged		6914 S	446	446	446	
PA Center for Environmental Education (PCEE)		6914.58 S	368	368	368	
McKeever Center		6915.75 S	213	213	213	
Affirmative Action		6916 S	1,152	1,152	1,152	
Program Initiatives		6917.77 S	18,548	18,548	18,548	
State System Higher Education Total			524,236	503,355	503,355	
State Subtotal			497,168	465,197	465,197	
Federal Subtotal			27,068	38,158	38,158	