

Legislative UPDATE

News on the 2007-08 State Budget

From State Senator Joe Scarnati

SUMMER 2007



Dear Friend:

As your state senator, it is my top priority to hold the line on taxes, and keep state spending down, so that you can keep more of your hard-earned money. That's

why I fought hard during this year's state budget process to reject tax increases and costly programs that would require our state to spend more and borrow more.

I am pleased to report that the final state budget, passed in early July, **DOES NOT include more than \$2.5 billion in tax increases aggressively sought by the Rendell Administration.**

All of Gov. Rendell's seven proposed **tax increases were rejected**, including a sales tax hike, an electricity tax, a payroll tax on job creators, and a tax on trash collection. If enacted, those taxes would have cost each Pennsylvania family of four **nearly \$800 a year.**

The budget also controls state spending. Pennsylvania taxpayers made it clear that they do not want the excessive rate of growth in state spending that we have seen in recent years. The 3.2

percent increase puts Pennsylvania well below the national average in terms of state budget growth this year. Clearly, we are on the right track when it comes to controlling state spending.

"Our goals were to resist the proposals of the administration to enact seven new taxes, and to reduce the rate of growth in state spending. We achieved those goals."

While the administration sought to link passage of the budget to the approval of Gov. Rendell's energy legislative package, we insisted that the issues be considered separately. We did so because we do not want to pass costly state programs that could involve more borrowing and taxes without considering them very carefully and thoughtfully.

Taxes are already too high. Pennsylvanians have made it clear they want to keep more of their money, rather than pay for new programs that will inevitably increase in size and cost.

You have my commitment that I will continue to fight against tax increases, excessive borrowing and efforts to hike state spending. This is a time when our state needs to focus on fiscal restraint and live within our means.

Sincerely,


SENATOR JOE SCARNATI

Budget Highlights Include Low Spending, Savings

- The 2007-08 spending plan represents a modest 3.2 percent increase over the final 2006-07 budget. This is the smallest spending growth in the Rendell budget tenure.
- Because of our determination to take a multi-year view of the state



Senate President Pro Tempore Joe Scarnati makes a point about the need to pass a no-tax-increase budget during a Capitol news conference held by Senate Republicans to discuss budget negotiations. Also pictured are Senate Majority Leader Dominic Pileggi (left) and Senate Appropriations Committee Chairman Gibson Armstrong.

budget, this 2007-08 budget includes an anticipated \$300 million surplus to carry over into the next fiscal year. And the

Rainy Day Fund will increase by about \$160 million, to a total of roughly \$690 million. This fund is used as a savings account for

the state, to use in the event of an emergency or economic downturn.

- The budget not only includes no tax increases, but also maintains important tax cuts, including a 1 mil reduction in the Capital Stock and Franchise Tax, which is often referred to as a “job-crushing tax.”

This \$220 million savings to employers continues Senate Republican efforts to promote job creation and make our business climate more competitive.

- By cutting spending in a number of areas, Senate Republicans were able to make key

investments in important areas, such as health care, education, agriculture and veterans outreach.

- The budget increases the successful Education Improvement Tax Credit program by 27 percent from \$59 million to \$75 million.
- We provided \$10 million in tax credits through the Resource Enhancement and Protection Act (REAP) as a way to support and encourage conservation measures on our farms. REAP offers transferable state tax credits to Pennsylvania farmers who plan and implement highly effective conservation practices.

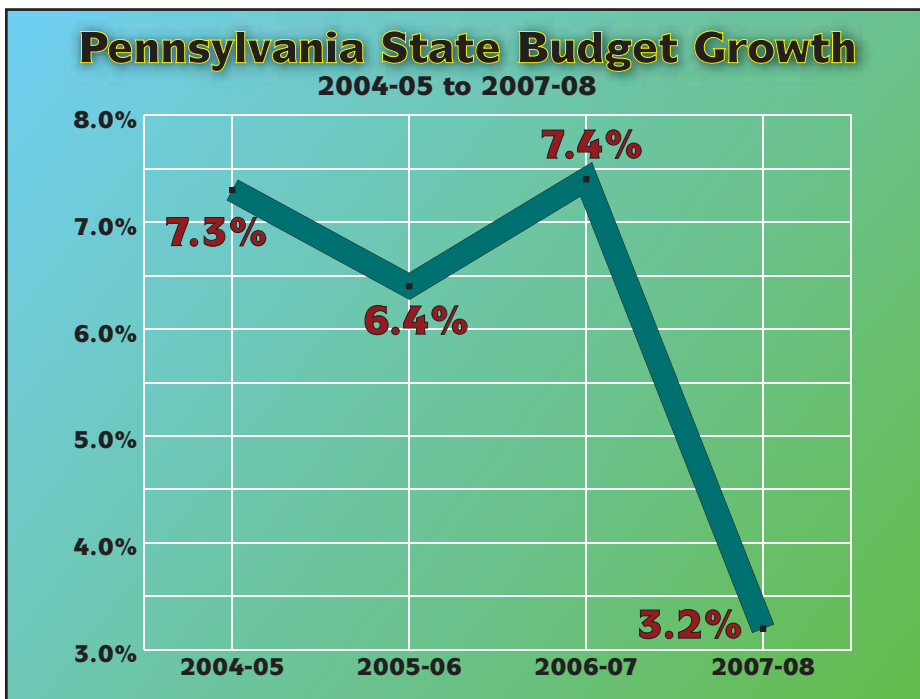
2007 BUDGET BATTLE


**SENATE
REPUBLICANS
GO 7 for 7**

**...in defeating new and
increased taxes on
Pennsylvania citizens.**

PROPOSED NEW TAXES AND FEES	
• Energy Use Tax.....	\$75 million
• Sales Tax.....	\$1.22 billion
• Oil Profits Tax.....	\$760 million
• Payroll Tax.....	\$20.8 million
• Trash Fee.....	\$61.4 million
• Cigarette Tax.....	\$61 million
• Tobacco Products Tax.....	\$30.3 million
NOV NEW AND INCREASED TAXES \$2.52 BILLION+	

DEFRAINED





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