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October 9, 2009

Dear Friend:

After much delay, the General Assembly has passed and the Governor has signed into law a state budget for FY 2009-10. This letter is intended to recap how the process unfolded and my role.

During my time in the General Assembly I have fought for fiscal restraint and against taxes.

Since 2003, spending under Governor Rendell has increased 39 percent -- more than twice the increase in the eight years of Governors Ridge and Schweiker. Even with the national recession, Governor Rendell proposed a budget in February that would have spent \$28.9 billion -- 4.6% more than last year. He also called for an increase in the cigarette tax, a new tax on cigars and smokeless tobacco, a new tax on Marcellus shale drilling, and allowing video poker at bars.

My goals for this budget have been clear: control spending and taxes and make the budget process as open as possible to the general public. In May, the Senate passed a budget that reflected these priorities. Senate Bill 850 would have spent \$27.3 billion (1% less than 2008), raise no taxes, and increase education funding by 10% with federal stimulus funding.

In June, with the state budget deficit at \$3.2 billion, Governor Rendell called for a 16% increase in the Personal Income Tax and a freeze in the Corporate Stock & Franchise Tax -- as well as his other tax proposals -- to pay for his higher spending. I vigorously fought this broad-based tax increase -- speaking against it on the Senate Floor and in budget meetings with the Governor.

Meanwhile, it took until July 17th -- well past the July 1st budget deadline -- for the House to pass a budget. Ultimately, the House passed a bill (HB 1416) that totaled \$29.1 billion but eliminated \$1.3 billion for higher education -- leaving a gaping hole that they planned on accounting for with a tax increase. Rather than increasing taxes, the Senate passed a second budget that would have cut spending further to \$27.14 billion but still increasing school spending by 11%. HB 1416 was sent to a joint House/Senate conference committee for a budget to be worked out. While I had been a part of the negotiating team for the Senate Republicans, I was not appointed to serve on the Conference Committee and was in essence removed from the negotiating team.

As the budget impasse continued into August, the House sent the Senate's first budget (SB 850) to the Governor so that he could veto all funding except to pay state employees. While Senate Republicans tried to override the veto, Senate Democrats defeated the attempts (2/3rd vote

required). I personally led the efforts to restore funding for rape crisis centers and domestic violence programs. SB 850 would have funded these vital programs at the amount the Governor proposed but he chose to veto these appropriations simply to gain political leverage.

In September, a tentative budget deal was reached between Senate Republicans and Senate and House Democrats to spend \$27.945 billion with a cigarette tax, a freeze in the Corporate Stock & Franchise Tax, and new taxes on Cultural Events and Small Games of Chance. Let me be clear, I opposed this deal as it had too much spending and too many tax increases. At this time period, I was able to make my objections heard -- and ultimately that budget agreement fell apart.

As such, the Senate Republicans put together yet another budget (SB 1085) in October which would have spent \$27.835 billion and more importantly eliminated a couple of the tax proposals.

After 100 days, a final budget deal was agreed upon in HB 1416 that reduces spending to \$27.799 billion (\$1.1 billion less than the Governor's February proposal). Furthermore, the new taxes total only \$419 million -- far less than the first deal. The final budget does contain a cigarette tax increase and a freeze in the Corporate Stock and Franchise Tax. This legislation was passed and sent to the Governor on October 9th. I voted for this budget as I believe it accomplishes as much as I could hope for in dealing with Governor Rendell and a Democrat-controlled House -- both of whom were insisting on spending more and increasing taxes. The budget process was further complicated by the fact that the House Republicans were not fully engaged in the budget process.

Overall, for the first time in 40 years, spending has been reduced from the previous year (\$500 million less). While the Corporate Stock & Franchise Tax was frozen at its 2008 level (it was to go down) the business community was supportive as two corresponding tax cuts were passed -- a greater reliance on a Single Sales Tax Factor and an increase in the Net Operating Loss allowance. Meanwhile, the Cigarette Tax was increased -- something that I reluctantly agreed to since other taxes, such as the Small Games of Chance, were eliminated. While this is not the budget I wanted, it is a good budget in the context of controlling taxes and spending. Furthermore, day care centers, rape crisis centers, schools, and other social service agencies could not have survived much longer without a budget in place.

Also important in the budget mix are several measures, including the establishment of an independent fiscal office. Currently, the Governor's Budget Office has one set of budget numbers (assumptions and projections) while the Senate and House have to work off different sets of figures. For far too long, Governor Rendell's Budget Office has been driven by politics and gubernatorial priorities rather than providing accurate revenue predictions.

We need to have one bipartisan budget office -- with one set of numbers -- which everyone has access to. This proposal, which makes the budgetary process more open, has been one of my top legislative priorities this year. Furthermore, this budget eliminates "WAMS" (Walking Around Money) which have been very controversial. It is also my hope that my bill banning Pay to Play will soon be considered. Finally, it is important to note that there is no funding in the budget for Governor's controversial Keystone Exams testing scheme, something that I have fought against.

It is for these reasons that I supported this budget. Please know that I will continue to work to control spending (I am a sponsor of legislation limiting state spending), fight taxes (including the repeal of the Death Tax), reduce the size of government (I am a sponsor of a Constitutional Amendment to reduce the size of the General Assembly) and work toward a more transparent state government (Pay to Play Reform). As a state legislator, I voted against the infamous Pay Raise, have refused COLAs, and never took the higher pension plan.

Thank you for taking the time to review this information. If you have any questions on this or any other state-related matter, please do not hesitate to contact me or any member of my staff. As always, please visit my web site at www.senatororie.com for updated state information.
Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Orié".

JANE C. ORIE
Majority Whip
40th Senatorial District