



Senate of Pennsylvania

August 13, 2010

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
225 Main Capitol  
Harrisburg, PA 17120

**Re: State Budget**

Dear Governor Rendell:

Thank you for sharing your plan to close the remaining gap in Pennsylvania's fiscal year 2010-11 budget.

We agree with your recommendation to use the basic education subsidy formula to distribute the new, unanticipated \$380 million federal funding. We also understand that it is your intention to place certain funds into budgetary reserve, although we await the specific line-item details.

In fiscal year 2010-11, school districts will receive more than \$1 billion in non-recurring federal funds: \$654 million through the American Recovery and Reinvestment Act, plus \$380 million through the recently enacted Education Jobs and Medicaid Assistance Act.

The new governor and next session's legislature will face the tremendous challenge of replacing the \$1 billion with state tax revenues. Your proposal would increase the height of that cliff by an additional \$200 million.

Earlier this year, you properly noted that we would be "sticking our heads firmly in the sand" if we do not address the pension crisis. No matter what pension reforms are adopted legislatively, everyone recognizes the great need for additional

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state funding in both the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS). Increased funding for PSERS has the secondary benefit of helping contain future pension costs to school districts.

We believe that the most responsible course of action for taxpayers, the Commonwealth, and school districts is to redirect the remaining \$200 million in state funds to help meet the state's pension obligations.

Under this plan, school districts in Pennsylvania will still receive \$130 million more than was anticipated when you signed the FY 2010-11 state budget, due to the new federal funds. In these difficult economic times, that is an extraordinary outcome.

We would be pleased to discuss this approach with you in more detail.

Sincerely,



Joe Scarnati  
President Pro Tempore



Dominic Pileggi  
Majority Leader



Jake Corman  
Appropriations Chair