



## **News for Immediate Release**

**June 30, 2012**

### **Governor Corbett Signs Budget that Controls Spending Without Increasing Taxes**

**Harrisburg** – Governor Tom Corbett today signed the 2012-13 budget, strengthening the state’s economy and education system, while continuing his commitment not to increase taxes for the citizens of Pennsylvania.

The \$27.66 billion budget was signed on time for the second consecutive year.

“Our taxpayers deserve government that works for them,” Corbett said. “Today we re-affirm our commitment to job growth, to education, to the needy and to the taxpayers.

“While times are still difficult and we wish we had more to spend, our revenues have improved, allowing us to increase funding to some important areas of our final budget.”

Along with the budget, the legislature agreed to adopt several of Corbett’s major initiatives such as improvements to the criminal justice system, an education reform package, and eliminating the agriculture inheritance tax.

This budget also continues the phase-out of the Capital Stock and Franchise tax and guarantees critical tax credit incentives for companies committed to bringing business and jobs to Pennsylvania.

Corbett was able to increase spending from his originally proposed budget because state revenues have increased in recent months, a result of following the course of reform, restraint and responsibility.

This year’s state budget positions Pennsylvania for a structurally sound financial future. However, Corbett urged caution because even with progress, there is still concern for the future with impending pension cost increases, rising debt service costs and medical cost increases.

Highlights of the 2012-13 budget include:

#### **Education**

- This budget restores, or in some cases, increases funding for early, basic and higher education, for a total of \$11.35 billion. State-related and state system

universities will receive \$1.58 billion, the same amount of funding as last year.

- Funding for school districts is increased over last year and the Accountability Block Grant is funded at \$100 million, supporting full-day kindergarten in many school districts.
- The current educator evaluation system, which has been unchanged for more than 40 years, will undergo across-the-board reforms, based in part upon multiple measures of student achievement.
- Expansion of the state's successful Educational Improvement Tax Credit (EITC) program, which uses business donations to provide scholarships to low- and moderate-income students in exchange for a tax credit.

"This new EITC initiative will give students in failing schools an opportunity to succeed," Corbett said. "By giving them a choice, we are giving them a chance.

"Just like last year, education is our number-one spending priority. In fact, this is the highest amount of state money going into basic education in our state's history," Corbett said.

"Following recent discussion with the legislature and our state-related and state system universities, I'm happy to say that we've restored funding to those institutions to the same level as last year. In return, those schools have committed to keep tuition as low as possible," Corbett said. "I think this marks an important turning point in our efforts to make higher education affordable for our families."

## **Economic Growth**

The governor's budget continues to lower taxes on businesses and will preserve critical tax credit programs, including a new manufacturing tax credit which will help create tens of thousands of jobs.

- Long-term tax incentives for companies committed to bringing business and jobs to Pennsylvania. Companies can earn tax credits over a span of 25 years proportional to the industry's activity in the state.
- For example, Shell Chemical announced in March that it was considering building a petrochemical complex in Beaver County, which would turn by-products of natural gas to ethylene. Ethylene is used to produce a variety of items from tires to toys, food packaging to footwear.
- In April, Delta Air Lines' wholly-owned subsidiary, Monroe Energy LLC, acquired a Delaware County refinery, preserving hundreds of direct jobs and thousands of jobs in related industries. To make this possible, Delta received a grant from the Department of Community and Economic Development, contingent upon the company investing at least \$350 million at the project

site and employing at least 402 full-time workers on-site for at least five years.

- Creating programs that will support employers and workers, such as JOBSFirst PA, which invests in small and large businesses, offering initiatives to cultivate and create new industries and jobs.
- Providing employer-driven, on-the-job training opportunities for unemployed workers through a new program called Keystone Works. This program will allow jobless Pennsylvanians to keep receiving unemployment benefits while being retrained and helps employers identify the best candidates before they hire.

"We are making real progress on our state's foremost goal: growing new jobs," Corbett said. "Our goal is to transform Pennsylvania so we're not only a supplier of natural gas, but also a processor and manufacturer. Simply put: we will usher in a new industrial revolution in Pennsylvania."

## **Taxes**

- Continuing the effort to eliminate the Capital Stock and Franchise Tax.

"This tax is a job-killer," Corbett said. "We don't need it. We don't benefit from it and we must get rid of it."

- Elimination of the Pennsylvania Inheritance Tax for farming families, previously levied when property was transferred from one generation to the next or between family members. The law goes into effect immediately.

"Our farm families deserve the security of knowing that their sons and daughters will be able to follow in their footsteps and eventually hand the farm to their own children. The future of agriculture, our state's number-one industry, is strengthened by ending the death tax on family farms," Corbett said.

## **Human Services**

This budget sets in motion responsible reforms to the Department of Public Welfare that will safeguard assistance programs for our neediest residents, now and into the future. It also transforms the way state government works with county government in the funding of local assistance programs. For example:

- The Human Services Block Grant pilot program, including up to 20 counties, will combine several funding appropriations such as child welfare, mental health, drug and alcohol, into one. Not only will this allow counties greater discretion in spending the money, but also streamlines reporting requirements into one, unified document. The program will allow for more personalized services to those in need while providing the flexibility counties need to provide services during times of reduced funding.

- Foster children will receive support until the age of 21. Previously, foster care ended at the age of 18, removing the children from a support system during a critical period in their lives.
- The budget increases funding for state programs for people with intellectual disabilities, addressing vulnerable populations currently on the waiting list.
- Healthcare providers for those in need, including nursing homes and hospitals, will receive full funding in this budget.

“We’re also going to enable more personalized services for people in need with the Human Services Block Grant pilot program. This program will allow 20 participating counties decide for themselves how best to allocate their human services funding,” Corbett said. “This will allow service providers to be more focused on helping people than on dealing with red tape.”

### **Cost Containment**

In a continuing effort to reduce the size and cost of government, this budget also:

- Provides for the merger of the Department of Banking and the Securities Commission, realizing \$1 million in savings.
- Improves the criminal justice system with the adoption of Justice Reinvestment Initiative legislation, which will help save the state hundreds of millions of dollars by making prisons and parole more effective and efficient.
- Enables the Department of Environmental Protection to rely less on taxpayer dollars and more on accurate cost-accounting from funds supported by fines and permit fees.
- Makes the Department of Environmental Protection more efficient. With the same number of inspectors, the Department of Environmental Protection conducted twice as many oil and gas site inspections in 2011 versus 2010.
- Reduces expenditures for employee travel by more than \$2 million. Through a collaborative effort by the Office of Administration, Office of the Budget and Department of General Services, policies were reformed in January 2012 for the reimbursement of travel expenses and requiring employees to use the most cost-effective means of vehicle travel.
- Trims costs in the Office of Administration by \$2.9 million without impacting productivity and sustainability.
- Consolidates the Bureau of PENNSAFE, resulting in savings of nearly \$1 million a year. This is an example of the governor’s commitment to streamlining government and making operations more efficient and effective.

"We are making progress in our state," Corbett said. "As we go forward, let's keep a few things in mind. We need to follow a course of reform, restraint and responsibility.

"We must continue our course of changing the culture of state government from 'tax and spend' to 'build and save.'

"Together we are working to usher in an economic climate where the private sector can grow and create jobs. Let's keep up the momentum," Corbett said.

"This is a budget for our future and that future starts now."

To review the budget in entirety, visit [www.budget.state.pa.us](http://www.budget.state.pa.us) .

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