



COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

CHARLES B. ZOGBY
SECRETARY
OFFICE OF THE BUDGET

January 28, 2011

Honorable Jake Corman
Chairman
Senate Appropriations Committee
Room 281, Main Capitol Building
Harrisburg, Pennsylvania 17120

Honorable William F. Adolph, Jr.
Chairman
House Appropriations Committee
Room 245, Main Capitol Building
Harrisburg, Pennsylvania 17120

Honorable Vincent J. Hughes
Minority Chairman
Senate Appropriations Committee
Room 545, Main Capitol Building
Harrisburg, Pennsylvania 17120

Honorable Joseph F. Markosek
Minority Chairman
House Appropriations Committee
Room 512-E, Main Capitol Building
Harrisburg, Pennsylvania 17120

Gentlemen:

As you know, the Commonwealth's General Fund is currently facing unprecedented fiscal challenges. Since taking office on January 18, 2011, I have been able to confirm a projected shortfall in the General Fund for fiscal year 2010-11 and a deficit of over \$4 billion for fiscal year 2011-12 based on preliminary projections.

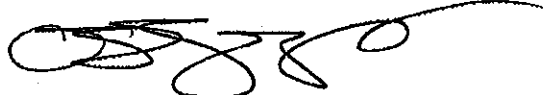
While the immediate priority of the Administration is to develop a balanced 2011-12 budget proposal for presentation to the General Assembly and the citizens of Pennsylvania on March 8, 2011, Governor Corbett requested the Budget Office assess options to reduce state spending in the current fiscal year. In light of the fact the General Fund has ended each of the last two fiscal years in a deficit position, the current year shortfall and the enormity of next fiscal year's budget deficit make immediate action imperative to begin to bring the General Fund back into balance.

To that end, Governor Corbett has directed me to place \$364.3 million of current-year appropriations into budgetary reserve. The appropriations and dollar amounts are shown on the attached list. The reduction in the state Basic Education Funding appropriation will be offset by federal Education Jobs Fund monies that have not yet been appropriated by the General Assembly. The federal government made these funds available to states in August 2010 to be awarded on a timely basis to school districts during the 2010-11 school year. I will follow up this letter with a request for the General Assembly to enact a federal appropriation for the Education Jobs Fund monies and a corresponding reduction in the state Basic Education Funding appropriation. With this action, no school district will receive less funding than was originally included in the enacted budget signed by Governor Rendell on July 6, 2010, including restoring

\$50 million in funding that was placed into budgetary reserve in August 2010. The other amounts placed into budgetary reserve are funds for discretionary grants that have not yet been expended.

By placing these funds into budgetary reserve, the Commonwealth's General Fund will be in position to end the current year with a surplus and our agencies will still be able to provide essential services to the citizens of Pennsylvania. I look forward to working with you on this issue and our mutual efforts to put the Commonwealth back on the path to fiscal stability.

Sincerely,



Charles B. Zogby
Secretary of the Budget

Attachment

cc: Honorable Joseph B. Scarnati III, Senate President Pro Tempore
Honorable Dominic Pileggi, Senate Majority Leader
Honorable Jay Costa, Senate Minority Leader
Honorable Samuel H. Smith, Speaker of the House
Honorable Mike Turzai, House Majority Leader
Honorable Frank Dermody, House Minority Leader

2010-11 Spending Reductions
January 2011
General Fund - State Funds
(amounts in thousands)

Department / Appropriation	2010-11 Enacted Amount	2010-11 August '10 Spending Reduction	2010-11 January '11 Spending Reduction	2010-11 Revised Amount
Community and Economic Development				
Local Government Resources and Development	\$6,000	(\$114)	(\$4,581)	\$1,305
Urban Development	10,558	(201)	(6,942)	3,415
Community and Business Assistance	9,000	(171)	(8,456)	373
Economic Growth & Development Assistance	3,092	(59)	(1,783)	1,250
Community & Municipal Facilities Assistance	3,000	(57)	(2,208)	735
Community Conservation and Employment	24,200	(460)	(1,801)	21,939
Subtotal Community and Economic Development			(\$25,771)	
Education				
Basic Education Funding	\$5,121,339	(\$50,000)	(\$337,816)	\$4,733,523
Environmental Protection				
Safe Water	\$682	(\$13)	(\$669)	\$0
TOTAL JANUARY 2011 SPENDING REDUCTION			(\$364,256)	