



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

October 13, 2015

The Honorable Stanley Saylor
Pennsylvania House of Representatives
105 Ryan Office Building
PO Box 202094
Harrisburg, PA 17120-2094

Dear Representative Saylor:

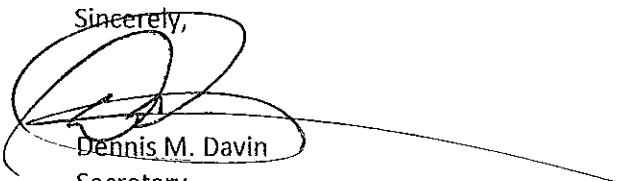
Thank you for your letter asking for clarification on the status of the Educational Improvement Tax Credit Program (EITC) and the Opportunity Scholarship Tax Credit Program (OSTC).

The Department would very much like to be able to approve these tax credits. We agree with you that the credits are important and wish that we had the legal authority to expedite their approval. We regret that delay in the issuance of approval letters may delay the flow of funds to the scholarship and educational improvement organizations. Unfortunately, the Department's hands are tied by the absence of a budget for the current fiscal year. Without a budget, we do not know what limits will be placed on the amounts of tax credits that the Department is legally allowed to issue. In the past, certain tax credit allocations were reduced or eliminated as part of a final budget agreement. The House votes in favor of increasing the available funding for the EITC and OSTC, to which you refer, were not taken in the context of a final budget agreement in which the Governor and Senate, as well as the House, concurred. Without such an agreement, we simply do not know whether the program limits that will ultimately be approved for the credits will be higher than, lower than, or the same as the limits that were in effect last year. Extending approvals without knowing that the current allocation will continue would place the Department in a difficult legal position.

The absence of a fiscally responsible budget for fiscal year 2015-2016 is the only thing that has prevented the Department from issuing award letters. Pennsylvania has suffered five debt downgrades in the last four years as a result of fiscally irresponsible budgeting. The state faces a \$2.28 billion structural budget deficit by the end of 2016-17. Unless new revenue is provided, \$1 billion in education cuts and \$1 billion in human services cuts will be necessary to close that deficit.

Please be assured the Department will immediately mail award letters when a final budget package is signed into law by the Governor. Thank you for your continued interest in and support of these important tax credit programs.

Sincerely,



Dennis M. Davin
Secretary

Cc: Scott Dunkelberger, Deputy Secretary Business Financing
James O'Donnell, Director, Tax Credit Division
Arthur McNulty, Chief Counsel
Barry Wickes, Director, Office of Legislative Affairs
Mike Hanna, Jr., Deputy Secretary, Governor's Office of Legislative Affairs