



TREASURY DEPARTMENT
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG, PA 17120

THE STATE TREASURER

April 13, 2016

Via Hand Delivery

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

Dear Chairman Adolph:

I write in response to your letter of April 8, 2016, pertaining to the Fiscal Year 2015-16 appropriation for basic education payments to public schools as contained in the General Appropriations Act 1A of 2016.¹ In particular, you request to be advised as to my intention, as State Treasurer, to approve or disapprove a possible requisition presented to Treasury that may exceed spending limitations contained in Act 1A. Because no requisition or intent to submit a requisition causing a basic education payment to a public school district in excess of the limitation within Act 1A has been presented to the Department, any statement related to my intention to approve or disapprove such a payment would be premature.

Treasury's authority to cause the expenditure of funds for basic education is reactive in nature – Treasury may only approve or disapprove requests for the expenditure of public funds, it cannot initiate a request.² With the exception of the Department's own payment requests, Treasury cannot compel or initiate an expenditure of public funds without a corresponding request from the originating agency, in this case, the Department of Education.³

To date, no requisition has been presented to Treasury implicating the basic education spending limitation language contained in Act 1A. Since its effective date last week, Treasury has caused 1,214 payments to be made to school districts pursuant to the basic education line item in Act 1A. These disbursements were made to 458 school districts, totaling approximately \$830 million.⁴ Upon receipt of these payments, all eligible public school districts will be current with their statutory basic education payment schedule. There remains over \$2.3 billion in spending authorization in Act 1A to meet final Fiscal Year 2015-16 late April and June payments.

¹ Act of March 28, 2016 (P.L. ___, No. 1A).

² 72 P.S. §§ 307 (“No money shall be paid from any of the funds of the State Treasury, except upon warrant of the State Treasurer, issued upon requisition pursuant to law...”); 1501 (“No money shall be paid out of any fund in the State Treasury...until a requisition shall have been presented...”).

³ *Id.*

⁴ Payment totals do not include payments made to intermediate units, charter schools or individuals on behalf of school districts.

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Treasury anticipates the earliest it could receive a basic education payment request that would exceed the aggregate spending limits within Act 1A is June -- the last scheduled payment date for the current fiscal year. Not only is it uncertain that such a requisition will be submitted by the Department of Education, but it is possible that the General Assembly will consider and enact a new basic education spending formula that would render this question moot. In addition, there may be circumstances not presently anticipated that could impact a future payment decision several months from now. Accordingly, it is premature to speculate as to the legality of such a requisition without clarity as to its likely occurrence and the existing underlying legal circumstances.

However, as your letter correctly acknowledges, the Office of State Treasurer occupies a critical and independent position in the Commonwealth's constitutional system of financial checks and balances. Consistent with the office's independence, neither the Governor nor the legislature speaks on behalf of Treasury. Throughout the recent budgetary impasse and the post-enactment implementation of the partial budget of December 2015, I executed my responsibility as custodian of Commonwealth funds without consideration of partisan or political objectives. I intend to continue this practice.

Please be assured that if Treasury were to receive a requisition in the future from the Department of Education that would implicate the spending limitation contained in Act 1A, any resulting payment determination will be made in accordance with state law and the public interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy A. Reese". The signature is fluid and cursive, with a large initial "T" and "R".

Timothy A. Reese
State Treasurer