

2017/18
BUDGET BRIEFING
Report on Key Issues
HOUSE APPROPRIATIONS COMMITTEE (D)
JOE MARKOSEK, DEMOCRATIC CHAIRMAN



HOUSE GOP BUDGET PROPOSAL – HOUSE BILL 218

OVERVIEW

- General Fund expenditures are \$815 million below Executive Budget.
- Assumes governor's proposed agency consolidations:
 - Department of Corrections and the Probation and Parole Board consolidated into new Department of Criminal Justice.
 - Departments of Human Services, Health, Aging and Drug and Alcohol Programs consolidated into new Department of Health and Human Services.
- Personnel expenditures cut throughout all agencies, often by 6.5% more than the governor's cuts.
- Limited revenue package detail – no revenue language is in the bill.
 - Verbal comments say there are no tax increases.
 - Budget relies heavily on \$1.26 billion new revenue from liquor privatization and gaming.
 - Assumes \$75 million increase in EITC/OSTC (House Bill 250)
- Does not include the governor's Farm Show lease-back proposal, but assumes the net savings tied to that proposal (\$151.4 million in reduced expenditures for debt service) will instead be derived from a newly created Endowment Account. While no legislative language has been proposed, the Republicans have suggested that the endowment account will initially be funded with proceeds from the sale of licenses for privately operated wine and liquor stores and transfers from unnamed special funds. In later years, the endowment account will receive recurring revenues from private wine and liquor licenses as well as the leasing of a new federally funded data service for emergency responders to a private entity while making payments for a number environmental, cultural, historical, and arts grants.
- Does not include the governor's PERF bonding initiative, yet apparently assumes some of the General Fund savings tied to that proposal – **Need detail on savings in the proposed budget.**

COMPARISON TO EXECUTIVE BUDGET

Pensions

- For PSERS, a reduction of \$20 million from \$2.304 billion to \$2.284 billion.
 - We need to make sure that the smaller payment does not tinker with our pension system.

Education

- Reduces the early childhood increase from \$75 million in governor's budget to \$25 million:
 - Pre-K increase cut from \$65 million to \$20 million.
 - Head Start increase cut from \$10 million to \$5 million.
 - Key point: Gov. Wolf's proposal would enable 5,700 more students to have access to high quality pre-k compared to the Republican proposal.
 - The governor's proposal would add 8,500 students, a 35 percent increase, while HB 218 would add 2,800 students, a 12 percent increase.
- Maintains the following requested by governor:
 - \$100 million increase in basic education.
 - \$25 million increase in special education.
 - \$11.7 million increase for early intervention.
 - \$50 million pupil transportation reduction.
- Cuts PA Assessment appropriation by \$7.9 million or 13.5 percent.
 - Our understanding is that we won't be able to achieve savings from the changes under ESSA for testing until 2018/19.
- Eliminates funding for the following programs:
 - Safe School Initiatives (\$8.5 million).
 - Teacher Professional Development (\$6.5 million).

Health and Human Services

- \$178 million cut from Medical Assistance Capitation (HealthChoices managed care).
- \$31.4 million cut from programs for seniors and persons with physical disabilities.
 - Long Term Care (nursing homes) cut \$25 million.
 - Home and Community Based Services (Aging waiver) cut \$2.2 million.
 - Services to Persons with Disabilities cut \$2.1 million.
 - Attendant Care cut \$2.1 million.
- Nearly \$63 million cut from child care.
 - Child Care Assistance (for TANF and former TANF families) cut \$12.724 million.
 - Child Care Services (for working families) cut \$50.189 million.
- \$2.595 million cut to MA Fee-for-Service.
- \$5 million cut to Mental Health Services.
- 15 percent funding cut to county human services programs under Human Services Block Grant:
 - Homeless Assistance cut \$2.755 million.
 - Human Services Development Fund cut \$2.019 million.
- 15 percent funding cut to following hospital appropriations:
 - Trauma Centers cut \$1.298 million.

- Burn Centers cut \$567,000.
- Obstetrics and Neonatal Services cut \$552,000.
- Eliminates the following initiatives proposed by the governor:
 - \$4.032 million to annualize 20 Centers of Excellence for substance abuse disorders (Behavioral Health Services appropriation).
 - \$9 million to expand evidence-based home visiting programs for first-time mothers (Community Based Family Centers appropriation).
- Adds a new \$5 million appropriation for Emergency Addiction Treatment.
- Maintains Governor’s funding increase for Intellectual Disability programs.
 - Includes governor’s funding request to add more people to the ID Waivers.
- Does not consolidate 14 health appropriations into single appropriation (‘Health Program Assistance’).
 - Governor’s proposal in past has funded five of these appropriations (fully or partially) at \$10.3 million; however, amendment only funds two (‘Sickle Cell’ and ‘Cancer Screening Services’) at \$3.8 million.
 - ‘Sickle Cell’ fully funded at prior year enacted level.
- Eliminates funding for Primary Health Care Practitioner Loan Repayment Program.
 - Governor proposed to fund this offline using PHEAA business earnings – unclear whether House Republicans support this proposal.
- Removes prior year legislative add from ‘Assistance to Drug and Alcohol Programs’ appropriation.
- Retains increase to ‘Newborn Screening’ appropriation/program as proposed by governor’s budget (\$1.36 million, or 25.5 percent)
- Increases reductions to numerous Health appropriations on top of modest reductions proposed by the governor

Criminal Justice

- Additional \$95 million cut or 5 percent cut to correctional institutions (on top of the governor’s \$36 million cut based on savings assumptions for closing SCI Pittsburgh, consolidation and complement controls totaling \$132 million for SCIs alone and \$161 million for the Department of Criminal Justice overall).
- Eliminates all funding (\$34.4 million) for county probation including county intermediate punishment programs.
 - County Intermediate Punishment (\$18.2 million) – 80% is for drug treatment.
 - County Probation Departments (\$16.2 million).
- Eliminates all funding (\$18.9 million) for Juvenile Probation services.
- Eliminates transfer of JRI 1 savings into Justice Reinvestment Fund (\$10.2 million) and the appropriations from the fund.
 - Transfer is required by Act 196 of 2012.
 - Under Act 196 the \$10.2 million would have been appropriated to: sentencing, victim services, offender diversion, innovative policing, community reentry programs and probation and county parole improvement.

- Eliminates governor's \$10 million initiative to equip first responders with naloxone (prevents opioid overdose deaths).

Agriculture

- Maintains governor's proposal to eliminate funding for Penn Vet.
- Includes funding for legislative priorities (albeit at lower levels than 2016/17):
 - Adds \$1.029 million for Agricultural Excellence.
 - Adds \$328,000 for Hardwoods Research and Promotion.

DCNR

- The following General Fund appropriations are below the governor's request:
 - State Parks decreased from \$14.934 million to \$13.963 million.
 - State Forests decreased from \$7.723 million to \$7.221 million.
- When considering funding that state parks and forests receive from both the General Fund and the Oil and Gas Lease Fund, the House Republican budget would provide \$2.8 million less than the governor's proposal.

DEP

- Additional cuts to operating lines are harmful and compromise the agency's ability to carry out its statutory obligations – **What is the rationale for these cuts?**
 - We are especially concerned given the potential loss in federal funding that may need to be back-filled.
- 50 percent funding cut to interstate commissions and boards:
 - Delaware River Master decreased from \$76,000 to \$38,000.
 - Susquehanna River Basin Commission decreased from \$473,000 to \$237,000.
 - Interstate Commission on the Potomac decreased from \$46,000 to \$23,000.
 - Delaware River Basin Commission decreased from \$434,000 to \$217,000.
 - Ohio River Valley Water Sanitation Commission decreased from \$136,000 to \$68,000.
 - Chesapeake Bay Commission decreased from \$275,000 to \$138,000.
 - Interstate Mining Commission decreased from \$30,000 to \$15,000.

DCED

- Eliminates all funding in Executive Budget for the following:
 - \$250,000 for the ICA ('Intergovernmental Cooperation Authority-2nd Class Cities').
 - \$12 million for new 'Manufacturing PA' that would have provided independent funding for the Industrial Research Centers (IRCs).
 - \$20 million for 'PA First' appropriation, which includes following programs: Customized Job Training Program (including WEDnetPA), Opportunity Grant Program, and Infrastructure Development Program.
- Retains transfer of 'Industry Partnerships' appropriation/program from L&I to DCED; however, cuts funding by 44.8 percent (\$813,000) over current year and governor's proposal.
- Cuts \$7.63 million from 'Marketing to Attract Tourists' appropriation.
 - Eliminates \$6.1 million initiative proposed by the administration to expand the core marketing program within DCED.
 - Further reduces agency office by \$1.53 million.

- Cuts funding for the transfer to Ben Franklin Technology Development Authority Fund by almost half (49.5 percent).
- Reduces funding for PREP by \$3.94 million compared to the Governor's proposal, while also not moving the Industrial Research Centers (IRCs) into new appropriation.
- Cuts funding to Base Realignment and Closure appropriation by \$331,000 compared to the governor's proposal - will likely have program and personnel impacts.
- Makes modest reductions to various DCED appropriations, as well as not including funding for legislative traditional supported priorities throughout agency.

DGS

- Eliminates all funding (\$5 million) for Capitol Fire Protection.

PHEAA

- Institutional Assistance Grants cut 25 percent, compared to 50 percent cut proposed by governor.

Labor and Industry

- Likely assumes governor's fee proposal for Bureau of Occupational and Industrial Safety (elevator, boiler and UCC inspection fees), but without the fees, the House Republican budget would create a serious public safety problem.

Insurance

- Eliminates governor's proposed USTIF loan repayment (\$7 million).

State

- Cuts funding for voter registration and voter registration data base (the following cuts may or may not be personnel-related):
 - \$201,000 from voter registration.
 - \$267,000 from SURE (Statewide Uniform Registry of Electors).

Office of Attorney General

- Additional \$2.5 million cut to GGO (on top of \$5 million Executive Budget cut).
 - Represents only 2/3 of the Attorney General's request (already down to bone).
- Fully eliminates county trial reimbursements (\$200,000).

Judiciary

- Total funding for Judiciary is cut 8.8 percent.
- Fully eliminates \$4 million in reimbursements to county Courts of Common Pleas for Senior Judges.
- Cuts \$6.5 million from the following grants to counties:
 - Senior Judge Operational Support Grants – Zeroed Out.
 - Court Interpreter County Grants – Zeroed Out.
 - Juror Cost Reimbursement – 15 percent cut.
 - County Court Reimbursement – 15 percent cut.

Legislature

- Generally cuts funding for House and Senate 6.5 percent.
- Cuts \$9.9 million from other government support.
 - Includes eliminating all funding for the following appropriations - unclear if House Republicans want to permanently eliminate these agencies:
 - Legislative Budget and Finance Committee - Salaries & Expenses (\$1.872 million)
 - Local Government Commission (\$1.188 million)
 - Joint Legislative Air and Water Pollution Control Committee (\$551,000)
 - Commission on Sentencing (\$1.944 million)
 - Center For Rural Pennsylvania (\$1.046 million)

House Appropriations Committee (D)

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