

July 3, 2019



## **BUDGET BRIEFING**

### **2019/20 BUDGET: IN DEPTH ANALYSIS**

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## **Components of the 2019/20 Budget Package**

The General Assembly passed, and the governor signed, the General Appropriations bill into law just a couple of days before the end of the fiscal year.

Included with the General Appropriations bill were the “housekeeping” bills involving agencies such as the PUC, Gaming Control Board, Small Business Advocate, SERS and PSERS, and the non-preferred appropriations.

Gov. Wolf also signed the Fiscal Code, Administrative Code, Tax Code, Public School Code and Human Services codes into law, which have budget related implications.

The General Assembly did not enact a capital budget for 2019/20, which is required to be annually enacted by the Pennsylvania Constitution. The commonwealth last enacted a capital budget in 2017/18.

The 2019/20 budget package includes the following, which were all signed by the governor June 28:

- General Appropriations (Act 1A/HB 790),
- “Housekeeping” Appropriations (Acts 7A-15A/SBs 235-243),
- Non-Preferred Appropriations (Acts 2A-6A/HBs 1350-1354),
- Fiscal Code (Act 20/SB 712),
- Administrative Code (Act 15/HB 1461),
- Tax Code (Act 13/HB 262),
- Public School Code (Act 16/HB 1615),
  - School Safety Bill (Act 18/SB 144),
- Human Services Codes
  - (Act 12/HB 33), and
  - (Act 19/SB 695).



## **Revenue**

### ***TOTAL SPENDING AND REVENUE ESTIMATES***

Total state General Fund expenditures enacted in the 2019/20 budget are \$34.0 billion, which includes \$629.0 million in non-preferred appropriations. This final spending plan is \$148.9 million less than the governor's proposed budget and \$595.9 million more than 2018/19 (after accounting for supplemental appropriations), or 1.8 percent.

The state General Fund official revenue estimate is almost \$35.5 billion, which is the amount of state General Fund tax and non-tax revenue expected to be collected in 2019/20 before adjusting for refunds and prior-year lapses. The 2019/20 official revenue estimate assumes \$638.9 million revenue growth, or 1.8 percent after accounting for the impact of changes to the Fiscal Code, Tax Reform Code, Public School Code and Administrative Code.

General Fund revenue collections finished 2018/19 \$883.1 million above the official estimate, as better-than-expected performance from corporation and the sales and use taxes drove performance. However, the need to address increased mandated expenses in the 2018/19 budget offset the healthy revenue surplus. The General Appropriations Act contained \$673.9 million in supplemental appropriations for additional costs, primarily within the Department of Human Services. We anticipate supplemental appropriations will be required in the budget year.

**The revenue estimate contain no tax increases.** Although the governor's Executive Budget proposed an increase in the minimum wage (which would have generated new tax revenue and cost savings), and cost savings from a municipal police fee, no legislation was enacted to implement these measures. The governor also proposed to implement mandatory combined reporting for corporate net income taxes (closing the Delaware loophole). This was also not enacted as part of the budget, even though it would have resulted in a revenue loss when combined with the proposed rate decreases.

The General Assembly enacted an omnibus Tax Reform Code amendment (Act 13 of 2019), which mainly expands tax credit programs, and it also increased the caps on the Educational Improvement and Opportunity Scholarship Tax Credits in the Public School Code (Act 16 of 2019). The net effect of all tax-related amendments is a revenue loss of \$51.6 million, where the main source of offsetting revenue increase comes from extending the existing 2 percent tax on gross table games revenue, which was set to expire June 30, 2019. See the section on "Tax Changes" for more details.

Public focus is customarily placed on General Fund state expenditures and revenues but state General Fund expenditures represent just two-fifths of Pennsylvania's combined operating budget. Federal money also supports General Fund expenditures and contributes to many other special funds.

This Budget Briefing highlights certain special funds that support commonwealth programs when that is especially helpful to a more complete understanding of the budget picture. A few key examples of special funds that contribute to the combined budget include:

- the Motor License Fund (transportation),
- the Lottery Fund (senior citizens),
- the Tobacco Settlement Fund (human services), and
- the Oil and Gas Lease Fund (environment).

While this year's budget is balanced, the continued practice of using one-time revenues, timing shifts and other temporary savings, reductions and offsets creates budget pressures. The unwillingness of Republican majorities to fully address recurring costs with recurring revenues - like a severance tax on natural gas - means policymakers need to be aware of consequences that may arise from the budget balancing measures on the following page.



## General Fund Budget Balancing Measures to Monitor

(\$ amounts in millions)

EXPENDITURES	2018/19	2019/20
<b>General Fund Expenditures Shifted Offline or to Special Funds</b>	<b>\$0.0</b>	<b>\$75.2</b>
Increase in MA expenditures funded through Lottery Fund (compared to prior fiscal year)	\$0.0	\$28.2
Use of special funds to offset General Funds needed for DCNR/DEP	\$0.0	\$47.0
<b>Other Questionable/Unsustainable Budget Savings</b>	<b>\$994.3</b>	<b>\$1,226.6</b>
MA expenditures funded with one-time revenue received March 2017 from Managed Care Organization Cross Receipts Tax	\$351.7	\$0.0
MA savings from one-time revenues pursuant to Tobacco Master Settlement Agreement litigation	\$344.1	\$0.0
MA Long-Term Care expenditures rolled back to 2018/19	\$0.0	\$15.8
MA Capitation expenditures funded with JUA transfer	\$0.0	\$200.0
MA expenditures paid with prior year funds	\$0.0	\$145.0
One-time savings from managed care payment change	\$0.0	\$216.6
Department of Human Services expenses funded with one-time surplus from assessment on Philadelphia hospitals	\$79.0	\$0.0
Authority Rentals & Sinking Fund Requirements (PlanCon) reduced reliance on appropriation due to cash flow from bond proceeds	\$0.0	\$193.3
Pupil Transportation - Systematic underfunding leading to delayed payments	\$100.1	\$37.0
Repayment of loans to the Underground Storage Tank Indemnification Fund deferred	\$7.0	\$7.0
Underfunding of Human Services programs including MA Capitation, MA Community HealthChoices, Services for Persons with Disabilities, and County Child Welfare (includes amounts underfunded in 2018/19 to be paid in 2019/20)	\$0.0	\$381.9
Use of PHEAA resources to reduce General Fund expenditures on higher education - this multi-year support is reduced in 2019/20	\$112.4	\$30.0
<b>Subtotal Expenditures</b>	<b>\$994.3</b>	<b>\$1,301.8</b>
<b>REVENUES</b>		
<b>Transfers</b>	<b>\$0.0</b>	<b>\$0.0</b>
	\$0.0	\$0.0
<b>Other Questionable/Unsustainable General Fund Revenue Raisers</b>	<b>\$111.2</b>	<b>\$63.8</b>
Gaming Expansion - Act 42 of 2017 - Interactive gaming (iGaming) license fees at airports	\$0.0	\$3.8
Gaming Expansion - Act 42 of 2017 - Sports wagering license fees at \$10 million per license (\$70 million in 18/19 has already been paid. The 2019/20 estimate is currently not supported by any pending applications.)	\$70.0	\$40.0
Gaming Expansion - Act 42 of 2017 - Category 4 (satellite casinos) table games	\$0.0	\$12.5
Gaming Expansion - Act 42 of 2017 - Category 4 (satellite casinos) auction reinstated per Fiscal Code (Act 20 of 2019). One out of five possible licenses expected to be sold.	\$0.0	\$7.5
Use of premium proceeds from capitalized debt service to the General Fund	\$41.2	\$0.0
<b>Subtotal Revenues</b>	<b>\$111.20</b>	<b>\$63.80</b>
<b>TOTAL</b>	<b>\$1,105.50</b>	<b>\$1,365.60</b>



In addition to the one-time revenues and short-term shifting of expenditures described above, this budget also minimizes General Fund growth by diverting several General Fund revenue sources to offline expenditures. In a traditional budget environment, this spending would likely be contained within the General Fund. Tax revenue is transferred before it hits the General Fund to pay for these expenditures identified in the table below.

<b>Transfers - Revenue and Expenditures Moved out of General Fund</b>	
<i>(\$ amounts in millions)</i>	
<b>Description</b>	<b>2019/20</b>
Debt service for school construction bonds (PlanCon) authorized by Act 25 of 2016 - transfer from sales and use tax revenues.	\$ 15.1
Tobacco Settlement Fund debt service payments authorized by the Fiscal Code - transfer from cigarette tax revenues.	\$ 115.3
Farm Show complex financing agreement payments authorized by the Fiscal Code - transfer from personal income tax revenues.	\$ 20.0
Safe Schools funding authorized by the Fiscal Code - transfer from personal income tax revenues.	\$ 45.0
State Employees Retirement System (SERS) start-up funding for administrative expenses of the defined contribution plan authorized by the Fiscal Code - transfer from personal income tax revenues.	\$ 3.9
Labor and Industry Bureau of Occupational and Industrial Safety inspection fees authorized by the Administrative Code - retained by the department as an augmentation.	\$ 3.0
<b>Total</b>	<b>\$ 202.3</b>

### ***RAINY DAY FUND***

A key provision of Gov. Wolf’s budget proposal was to renew a commitment to begin rebuilding the Rainy Day Fund, which is intended to mitigate the impact of economic downturns on budgets. After all revenues, expenditures, refunds, lapses of unspent funds and adjustments are accounted for, the Fiscal Code directs 100 percent of the 2018/19 ending balance to be deposited into the Budget Stabilization Reserve Fund (more commonly called the Rainy Day Fund). The budget package assumes a transfer to the Rainy Day Fund of \$316.9 million. The standard 25 percent transfer in statute is overridden by a provision enacted in this year’s Fiscal Code that only pertains to the 2018/19 surplus.

2018/19 was the first time the commonwealth deposited money into the Rainy Day Fund since the Great Recession. Fifty percent of the 2017/18 surplus was transferred to the fund, or \$22.4 million, bringing the two-year cumulative total to \$339.2 million. Pennsylvania’s reserves still remain far below the level needed to help maintain the budget in a recession year.

### ***TAX AND REVENUE CHANGES***

The budget package includes numerous tax changes (table); most are increases to tax credit program caps and minor changes to the tax credits to provide clarification or to expand eligibility. Several provisions were amended to comply with federal requirements or court cases. The net effect of all changes is a revenue loss of \$51.6 million in 2019/20 and \$78.6 million in 2020/21.

Revenue estimates are based on information provided by the Department of Revenue and reflect utilization expectations of the programs. In some cases, tax credit caps are increased, but the department expects it will take several years until the cap is fully utilized (which shows up as a reduced revenue loss in 2019/20). The total of all tax credit cap increases is \$66 million. This will be partially offset in 2020/21 by the elimination of the “tax credit for new jobs,” which is capped at \$10.1 million.



**Tax and Revenue Changes - 2019/20 Budget Package**  
(\$ Amounts in Millions)

Tax Type	Description	Bill #	2019/20	2020/21
<b>Tax Code - Act 13 of 2019</b>				
Marketplace Sales Tax	Conforms PA law to the US Supreme Court decision concerning Wayfair and collection of sales and use tax from online marketplace sellers and facilitators with annual sales over \$100,000 to Pennsylvania customers (as opposed to \$10,000 in sales in current law). Integrates requirements for online sales into the sales and use tax section of the Tax Reform Code.		\$ 6.0	\$ 6.0
Brewers Sales Tax	Technical clarification of sales tax calculation for brewers who sell their products at retail. Liability would be based on 25% of retail price.	HB 1549	\$ (0.2)	\$ (0.2)
Youth Development Programs and Volunteer Fire Sales Tax Exemption	Exempts from sales tax food and beverage sales by nonprofit organizations exclusively supporting youth development centers and volunteer fire organizations. Minimal fiscal impact.	HB 779	\$ (0.9)	\$ (2.2)
Animal Housing Building Supply Sales Tax Exemption	Exempts from sales tax building materials and supplies used for the construction or repair of an animal housing facility, which is defined as a roofed structure used by livestock or poultry.	HB 1225	\$ (1.7)	\$ (4.0)
Federal Opportunity Zone Capital Gains	The terms "net gains or income", "net losses" and "dividends" are defined and linked to the Internal Revenue Code section 1400Z-2, special rules for capital gains invested in opportunity zones, to incentivize private investment.	SB 180	\$ -	\$ (2.8)
Olympic Gold Medals	Exempts prize money and value of Olympic medals from personal income tax. Tax due following 2016 summer Olympics was \$5,373.	HB 538	\$ -	\$ -
Voluntary Veteran Trust Fund Checkoff	Checkoff on individual tax returns for contributions in any amount to the Veterans' Trust Fund.	HB 857	\$ -	\$ -
PIT Joint Return for Estates	Allows the executor of an estate to file a joint personal income tax return.	HB 706	\$ -	\$ -
Paid Tax Preparers	Requires paid tax preparers to sign and include their federally issued Preparer Tax Identification Number (PTIN) on PA personal income tax returns.	HB 1583	\$ -	\$ -
Manufacturing Innovation and Reinvestment Deduction	Expands the corporate net income tax deduction to taxpayers with private capital investment in excess of \$60 million, as opposed to \$100 million currently. For investment between \$60 and \$100 million, the allowable deduction is 7.5% of the investment per year for 5 years. For investment over \$100 million, the allowable deduction is 5% of the investment per year for 5 years.	SB 747	\$ (1.0)	\$ (4.2)
Realty Transfer Tax Exemption for Beginner Farmer	Exempts transfer of real estate that is subject to an agricultural conservation easement to a beginner farmer. Unknown revenue loss. Minimal revenue loss estimated at about \$250,000.		\$ -	\$ -
PA Housing Affordability and Rehabilitation Enhancement (PHARE)	Transfer from the General Fund (realty transfer tax revenue) to the PA Housing Affordability and Rehabilitation Enhancement Program. The amount is determined by formula, capped at \$40 million per year.		\$ (15.0)	\$ (15.0)



**Tax and Revenue Changes - 2019/20 Budget Package**  
(\$ Amounts in Millions)

<b>Tax Type</b>	<b>Description</b>	<b>Bill #</b>	<b>2019/20</b>	<b>2020/21</b>
Film Tax Credit	Increases cap from \$65 million to \$70 million. Allows purchasers of credit to utilize full extent of credits including carryover and carryback provisions. Allows corporations to allocate credits among parent or sister companies that are part of the same consolidated federal income tax group.	SB 225	\$ (0.4)	\$ (0.9)
Entertainment Economic Enhancement (Concert Tour Tax Credit)	Increases the cap from \$4 million to \$8 million. Incentivizes purchase of equipment in Pennsylvania with higher individual tax credits. Expands allowable expenses that qualify for a credit to include music rights, ground transportation and insurance if the transportation provider or insurance agent is in Pennsylvania. Extends the credit to musical performers in addition to concert tour management companies.		\$ (4.0)	\$ (4.0)
Resource Enhancement Tax Credit (REAP)	Increase cap from \$10 million to \$13 million per governor's budget proposal. Extends eligible applicants to include spouses of individuals filing joint returns. Makes various environmental changes. Extends the credit to spouses filing joint returns.	HB 241 SB622	\$ (0.2)	\$ (0.8)
Historic Preservation Tax Credit	The Independent Fiscal Office performance based budgeting report recommended an increase to the cap and other technical improvements. Extends credit to workforce housing, adjusts qualified expenditure thresholds, expands utilization of sales of the credit, and increases the cap from \$3 million to \$5 million. Sets an improved timetable for the application process. Allows purchasers to carry over unused credits.	SB 541	\$ (2.0)	\$ (2.0)
Coal Refuse Tax Credit	Extends the current tax credit by 10 years to 2036 and increases the cap from \$10 million to \$20 million.	SB 618	\$ (7.2)	\$ (9.4)
New Jobs Tax Credit	Eliminate program per Independent Fiscal Office performance based budgeting report. No tax credits shall be approved after June 30, 2020.		\$ -	\$ 1.3
City Revitalization and Improvement Zones	Allows money to be used for debt service and changes the definition of infrastructure.		\$ -	\$ -
Rural Jobs Tax Credit	Expansion of current credit for investment companies creating rural jobs by increasing annual cap from \$1 million to \$6 million and allowing small businesses to qualify.	HB 1437	\$ (3.6)	\$ (4.7)
Neighborhood Assistance Program	Adds youth and adolescent development services to organizations receiving qualifying contributions. No more than \$2 million of total credits can be used for these new services.		\$ -	\$ -
Keystone Opportunity Expansion Zones	Expands KOZ program for additional keystone opportunity expansion zones in Lancaster, Cambria and Clearfield Counties for all state and local tax exemptions and abatements under the KOZ Act for 10 years.		\$ -	\$ (7.0)
Mixed-use Development Tax Credit	Increases the cap from \$2 million to \$3 million.		\$ (1.0)	\$ (1.0)
Inheritance Tax	Eliminates inheritance tax for transfers of property from a parent to a child age 21 or younger.	SB 342 HB 262	\$ (3.0)	\$ (12.5)



**Tax and Revenue Changes - 2019/20 Budget Package**  
(\$ Amounts in Millions)

<b>Tax Type</b>	<b>Description</b>	<b>Bill #</b>	<b>2019/20</b>	<b>2020/21</b>
Table Games Extension	Act 84 of 2016 imposed an additional 2% tax on table games which, expired on June 30, 2019. This extends the additional tax until August 1, 2021.		\$ 17.9	\$ 19.6
Strategic Development Areas - Exclusive Use	Clarifies the definition of exclusive use for items exempt from sales and use tax in Strategic Development Areas to include items such as laptop computers, cell phones, software, storage media and telecommunications service.	SB 616	\$ (2.8)	\$ (2.8)
Computer Data Centers	Increases cap from \$5 million to \$7 million for computer data center sales and use tax refunds.		\$ (2.0)	\$ (2.0)
Charter School Tax Exemption	Allows the same governmental tax immunity of a school district for charter schools and cyber schools with regard to the surplus lines tax (purchases from out-of-state insurers). Unknown revenue loss; however it is expected to be minimal.		\$ -	\$ -
<b>Public School Code - Act 16 of 2019</b>				
Educational Improvement Tax Credit	The EITC cap was increased by \$25 million, from \$160 million to \$185 million. The Educational Opportunity Scholarship Tax Credit (EOSTC) cap was increased by \$5 million, from \$50 million to \$55 million. Also Subchapter S Trusts are added as eligible entities, which allows more individuals to utilize the credits.	HB 1615	\$ (30.0)	\$ (30.0)
<b>Administrative Code - Act 15 of 2019</b>				
IRS Fingerprint Requirements	State employees and contractors with access to federal tax information must meet background check requirements including FBI fingerprinting for a national criminal history record check.	SB 613	\$ (0.5)	\$ -
<b>Total Revenue Increase</b>			<b>\$ 23.9</b>	<b>\$ 26.9</b>
<b>Total Revenue Loss</b>			<b>\$ (75.5)</b>	<b>\$ (104.2)</b>
<b>NET TAX CHANGES</b>			<b>\$ (51.6)</b>	<b>\$ (78.6)</b>

## **Education**

### ***PRE-K TO 12 EDUCATION***

The 2019/20 budget maintains many of Gov. Wolf's education requests. Additionally, several education-related pieces of legislation were approved in concert with the budget.

### ***EARLY CHILDHOOD EDUCATION FUNDING***

Gov. Wolf's 2019/20 budget proposed a \$40 million increase for Pre-K Counts and a \$10 million increase in Head Start Supplemental Assistance. The enacted budget lowers these amounts to \$25 million and \$5 million, respectively. This \$30 million increase builds upon the \$115 million, or 84.3 percent, increase for early childhood education in Gov. Wolf's first term, which provided for nearly 11,000 additional state-funded, high-quality slots.

Additionally, the fiscal code (Act 20 of 2019) requires a 2.95 percent increase in the per-student grant award for Pre-K Counts. Therefore, the 2018/19 rate of \$8,500 per-student will rise to \$8,750 per-student for 2019/20. About \$5.6 million of the \$25 million in new Pre-K Counts funds will be used to pay for this rate increase for the existing 22,236 slots. The remaining \$19.4 million of the 2019/20 increase will support an estimated 2,220 new, high-quality, state-funded Pre-K Counts slots.



## ***BASIC EDUCATION FUNDING***

The 2019/20 budget contains a \$160 million increase in basic education funding through the fair funding formula. Comparatively, Gov. Wolf's 2019/20 budget proposal called for a \$166 million increase in formula-driven funds.

The fair funding formula took effect in 2015/16 and it only applies to funding added after 2014/15, with each school district guaranteed its 2014/15 allocation as a base amount.

In 2019/20, an estimated \$698.7 million, or 11.2 percent, of the \$6.3 billion in traditional state basic education funding will be allocated using the fair funding formula, which deploys annually-updated student- and district-based factors to determine an equitable distribution. In 2018/19, 8.8 percent of the \$6.1 billion appropriation was distributed through the fair funding formula.

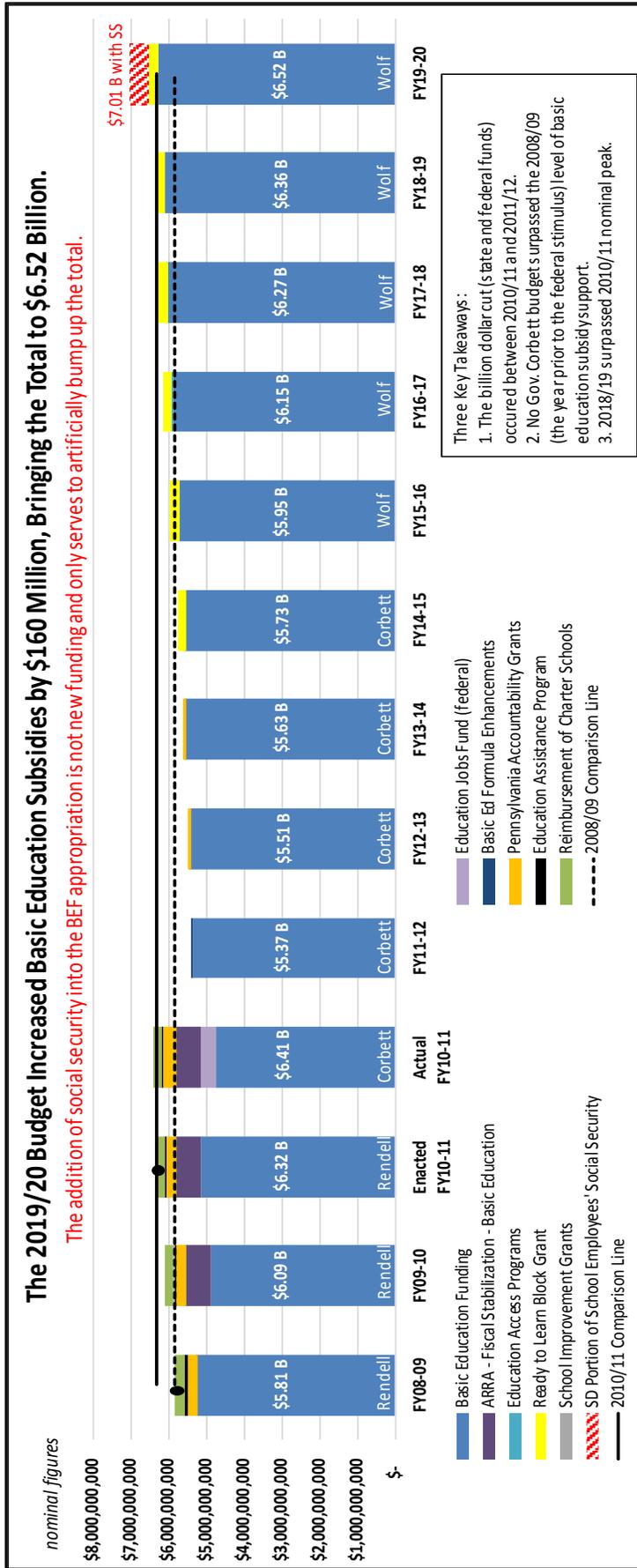
The budget moves the **school employees' social security** appropriation under the basic education funding umbrella, which gives an incorrect appearance of a several hundred million dollar year-over-year increase. The public policy rationale for this maneuver is unclear; however, the claims that PA has not been getting credit for its contributions for school employees' social security in national comparisons appear to be unfounded. Act 16 of 2019, the accompanying school code, makes clear that, although the basic education and social security reimbursement funding streams are combined, the fundamental distribution of the funds will not change.

Public schools, as employers, are responsible for the employers' share of social security (6.2 percent) and Medicare (1.45 percent) taxes. The state's school employees' social security appropriation reimburses at least half of these federal taxes and is distributed to school districts, intermediate units, career and technical centers, alternative public schools, and community colleges. Only the school district portion of social security was moved into the basic education funding appropriation.

The budget preserves the **Ready to Learn Block Grant** as a separate appropriation and keeps the funding flat relative to 2018/19. Gov. Wolf proposed to merge the Ready to Learn Block Grant into the basic education funding base.

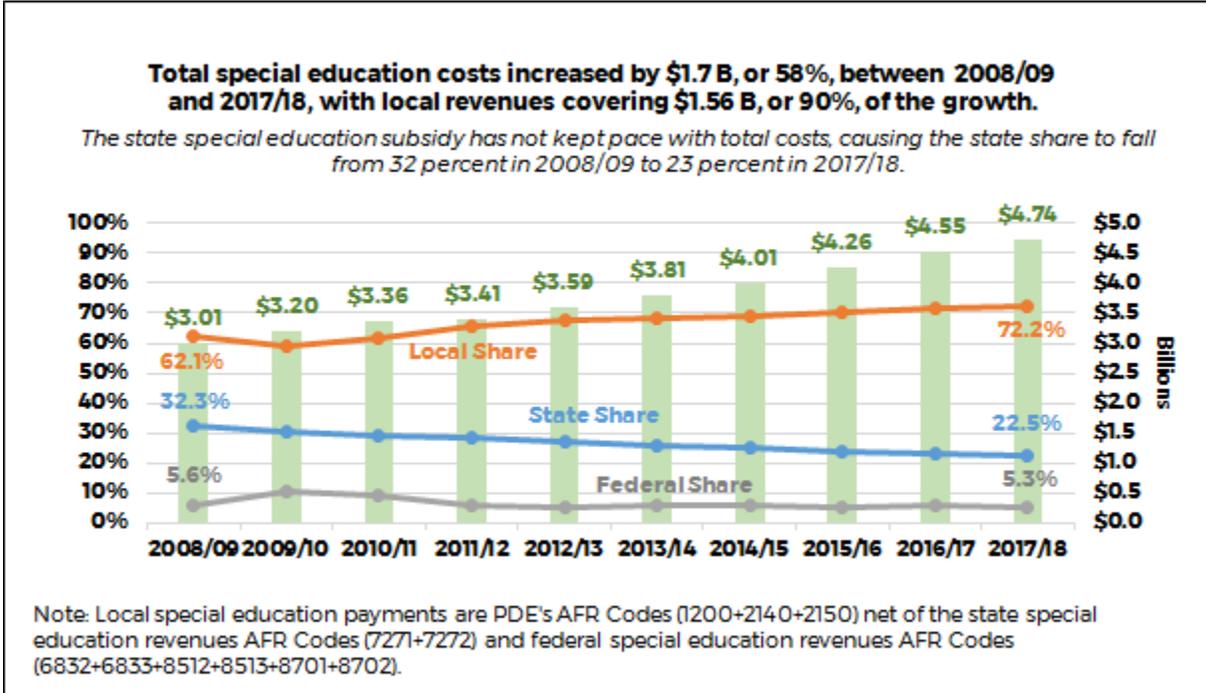
Overall, basic education subsidies surpassed the 2010/11 nominal peak in 2018/19. However, in inflation-adjusted dollars, PA's 2019/20 basic education subsidy total remains \$841 million below 2010/11. The 2019/20 budget's \$160 million increase in the most flexible state funding to school districts will help them address [rising costs](#) related to pension debt, charter school tuition, health care expenses, maintenance projects, student transportation, and special education instruction.





## SPECIAL EDUCATION FUNDING

The budget includes a \$50 million, or 4.4 percent, increase for special education, which was the amount requested by Gov. Wolf in February. School districts have consistently [identified](#) rising special education costs as a major contributor to their fiscal stress, while state aid has lagged behind.



The formula recommended by the Special Education Funding Commission has applied to new funding since 2014/15. In 2019/20, \$149.3 million, or 13.6 percent, out of the \$1.1 billion sent to school districts for special education will be allocated using the SEFC formula.

Amendments to the school code require the SEFC to reconvene by Aug. 15, 2019, to evaluate the implementation of the formula. However, the scope of its recommendations at the five-year mark are now limited to a review of the state's payments to school districts. In other words, SEFC is not empowered to make new recommendations regarding charter school special education payments. The General Assembly never adopted the charter school payment recommendations included in SEFC's original 2013 report.

**Early Intervention**, which provides funding for developmental support services for 3- to 5-year-olds, receives a \$15 million increase for 2019/20 on top of a \$14 million supplemental appropriation for 2018/19. Federal law requires early intervention providers to serve all qualifying children, and they are experiencing cost-growth-related increases in three areas: the number of children they serve, the number of services each child needs, and the cost of providing those services.

## SCHOOL SAFETY

The School Safety and Security Grant Program is not funded through an appropriation. The 2019/20 budget maintains the \$60 million provided in 2018/19, albeit from different sources of funding, and it [increased the guaranteed minimum grant award for school districts](#).



<b>Summary of School Safety and Security Fund</b>	<b>2018/19</b>	<b>2019/20</b>
<i>Expenditures:</i>		
Guaranteed Minimum to SDs	\$12,500,000	\$18,720,000
Community Violence Prevention Grants	\$7,500,000	\$7,500,000
Competitive Grants for School Entities	\$40,000,000	\$33,780,000
SSSF Total Expenditures:	\$60,000,000	\$60,000,000
<i>Revenues:</i>		
Transfer from the Personal Income Tax	\$15,000,000	\$45,000,000
Judicial Computer System Augmentation Account	\$15,000,000	\$15,000,000
Veto-Restored Legislative Funds	\$30,000,000	\$0
SSSF Total Revenues:	\$60,000,000	\$60,000,000

## ***SCHOOL CONSTRUCTION***

The \$10.5 million in the authority rentals and sinking fund requirements appropriation (funds the school construction reimbursement program known as PlanCon) reflects the annual costs of the charter school lease reimbursement program.

The school code (Act 16 of 2019) extends the moratorium on new PlanCon applications. Existing projects will continue to receive funding through bond proceeds authorized by Act 25 of 2016.

The PlanCon Advisory Committee's recommendations for a new program are contained in Act 70 of 2019. Highlights include a streamlined administrative process, an incentive for high-performance building standards, a new maintenance reimbursement program, and an updated reimbursement funding formula. The new program will take effect in 2020/21, but there will need to be further legislative action for funding to be attached to the program. Stay tuned for an upcoming budget briefing on this topic.

## ***OTHER EDUCATION FUNDING HIGHLIGHTS***

- The budget includes a \$5 million, or 9.2 percent, increase in the **Public Library Subsidy**, which is the first real state funding boost for libraries since drastic cuts in the wake of the Great Recession. However, the \$59.5 million funding level for 2019/20 remains well below the \$75.8 million peak in 2007/08.
- There is a \$10 million increase in **Career and Technical Education**. The increase is divided between the career and technical education subsidy (\$7 million) and the career and technical education equipment grants program (\$3 million).
- The school code provided a \$25 million, or 16 percent, increase in the **Educational Improvement Tax Credit (EITC)** cap, the entirety of which is directed toward the scholarship organizations. There is also a \$5 million, or 10 percent, increase in the **Opportunity Scholarship Tax Credit (OSTC)** cap.
- The budget did not raise the **minimum teacher salary** to \$45,000, as proposed by Gov. Wolf.
- Act 16 of 2019 changed the **compulsory school age** from 8 to 17 years old to 6 to 18 years old.
- The school code increases the amount of undistributed funds PDE can utilize for the Empowerment Fund, which provides financial and technical support for **school districts in financial distress**, from \$5 million to \$7 million for 2019/20. In June, the state appointed a receiver for the Harrisburg City School District.

## **Higher Education**

### ***PHEAA***

The budget increases the PHEAA state grant program by \$37.3 million to \$310.7 million. Additionally, the PHEAA board voted in May to contribute \$30 million in carryforward resources to support grants to students. These two pieces will enable the maximum PHEAA grant to remain at \$4,123.



While the PHEAA board previously expressed concern about its ability to continue to augment the state appropriation in the upcoming fiscal year, lower than expected program enrollment during 2018/19 will allow some resources to be available for 2019/20.

The budget allocates an additional \$550,000 for Ready to Succeed Scholarships, which provide merit-based aid to students from families with income less than \$110,000. The School Code amendments also require students to achieve at least a 3.25 GPA to be eligible for the grant.

The budget also provides \$6.3 million for the PA-TIP program, which delivers grants to students pursuing certificate programs in high-priority industries and fields of study that are shorter than two years. The new fiscal year would mark the first time the program is funded through the General Fund; previously, it was supported with PHEAA business earnings.

The Cheyney Keystone Academy receives \$3.5 million in the budget, a \$1.7 million increase. This appropriation supports the honors program at Cheyney University. Separate from the appropriation, the Fiscal Code directs an additional \$500,000 to the program from PHEAA resources.

The budget funds the governor’s recommended increases for the Bond-Hill Scholarships, the Act 101 program, and support for work-study programs.

***INSTITUTIONS OF HIGHER EDUCATION***

In general, public institutions of higher education, including community colleges, state-related universities and the Pennsylvania State System of Higher Education (PASSHE), will receive a 2.0 percent increase in the budget. By comparison, Gov. Wolf recommended a 1.5 percent increase only for PASSHE in his executive budget.

Thaddeus Stevens College of Technology and the Pennsylvania College of Technology will each receive a \$4 million increase for their operating appropriations.

Institutional assistance grants, which support private colleges and universities that enroll PHEAA grant recipients, are level-funded.

The governor’s executive budget proposed a new grant program for students or graduates of community colleges to stay and work in Pennsylvania. The 2019/20 budget, however, does not fund this initiative.

Under the Department of Agriculture, funding for Penn State’s agriculture research and county agricultural extension offices functions received a 2.0 percent increase, as did appropriations for the University of Pennsylvania veterinary school.

<b>Operating Appropriations for Institutions of Higher Education</b>					
<i>amounts in thousands</i>	<b>2018/19</b>	<b>2019/20</b>	<b>\$ Change</b>	<b>% Change</b>	
Community Colleges	\$ 239,074	\$ 243,855	\$ 4,781	2.0%	
Penn State - General Support	\$ 237,349	\$ 242,096	\$ 4,747	2.0%	
Pennsylvania College of Technology	\$ 22,736	\$ 26,736	\$ 4,000	17.6%	
University of Pittsburgh - General Support	\$ 148,536	\$ 151,507	\$ 2,971	2.0%	
University of Pittsburgh - Rural Education Outreach	\$ 2,846	\$ 3,346	\$ 500	17.6%	
Temple University - General Support	\$ 155,104	\$ 158,206	\$ 3,102	2.0%	
Lincoln University - General Support	\$ 14,869	\$ 15,166	\$ 297	2.0%	
Pennsylvania State System of Higher Education	\$ 468,108	\$ 477,470	\$ 9,362	2.0%	
Thaddeus Stevens College of Technology	\$ 14,701	\$ 18,701	\$ 4,000	27.2%	
Institutional Assistance Grants	\$ 26,521	\$ 26,521	\$ -	0.0%	



## **Pensions**

The 2019/20 budget fully pays both state pension systems' estimated annual required contributions, or ARC, which will be the fourth consecutive calendar year for the State Employees' Retirement System (SERS) and the fourth consecutive fiscal year for the Public School Employees' Retirement System (PSERS). Before this recent run of full payments, the state significantly underfunded both systems for more than a decade.

Each system's respective increase reflects the multi-year and predictable adjustments in employer funding to pay down the state's unfunded pension liability debt pursuant to the funding schedule under the Act 120 reforms of 2010 and continued with Act 5 of 2017.

While the contribution amounts are increasing, their magnitude is beginning to diminish as more of the contributions pay down the debt (e.g., 76 percent of PSERS' and 85 percent of the SERS employer contribution goes to the pension debt).

For the annually required employer contribution made to PSERS, the 2019/20 budget includes \$2.63 billion in state General Funds, which is an increase of \$141 million, or 5.6 percent, from 2018/19 compared with the highest increase of 49 percent in 2015/16. For the fourth time in 16 fiscal years, the employer contribution made by the state will provide 100 percent of the estimated actuarially required contribution.

The 2019/20 budget reduces the commonwealth's state-share appropriation for the employer contribution to PSERS by \$7 million, or 0.3 percent, compared with the system's most recent ARC estimate. This difference reflects varying payroll growth assumptions. The commonwealth failed to make its full employer contribution to PSERS for 12 fiscal years. However, the state corrected itself four years ago and began making full ARC payments. We will closely follow the appropriation throughout the year to determine if the reduced, revised estimate will pay the full ARC.

SERS' annually required employer contribution is allocated throughout every appropriation that includes personnel expenditures. Across the multitude of appropriations from a variety of state and federal funding sources, the 2019/20 budget includes roughly \$668 million in state General Funds for offices under the governor's jurisdiction, which is about \$8 million, or 1.3 percent, more than 2018/19 compared with the highest increase of 54 percent in 2011/12. For the fourth time in 16 calendar years, the state's employer contribution will provide 100 percent of the estimated actuarially required contribution.

The retirement systems are authorized to spend \$95.3 million for administration expenses via Act 11A of 2019 (\$58.3 million for PSERS) and Act 12A of 2019 (\$37.0 million for SERS). Spending authority is provided separately for the defined benefit plan, defined contribution plan, and for expenses related to investment office consolidation.

Act 5 requires new employees to select one of three new retirement plan design options, effective Jan. 1, 2019, for SERS and July 1, 2019, for PSERS. Both systems require start-up funding for personnel and operations to implement the provisions of the new law.

According to the actuarial notes prepared by each systems' actuaries, Act 5 will drive up costs over the next 10 years and cost \$536 million more than under current law. Of this amount, \$401 million is borne by the state (\$247 million General Fund, \$85 million special funds, \$69 million other), \$66 million is federal, and \$69 million is from school districts.

While employer contributions remain relatively high, a large component of the employer payment is going toward the pension debt, which mostly resulted from over a decade of underfunding in an effort to balance the state General Fund budget. Additional contributors to the pension debt include not fully pre-funding pension benefits and the market corrections from 2001 to 2003 and 2008. For PSERS (76 percent) and SERS (85 percent), most of the appropriated payments go toward paying down the unfunded liability.

## **Labor and Industry**

The budget maintains \$7 million in funding for apprenticeship programs and \$4.8 million for industry partnerships. These appropriations – increased in 2018/19 as part of the governor's PA Smart proposal – will continue to support Pennsylvania's workforce development needs in 2019/20.



The Office of Vocational Rehabilitation receives the \$2.3 million increase proposed by the governor. However, this appropriation will likely not offset declining federal funds, creating pressure on OVR’s ability to provide services to Pennsylvanians with disabilities seeking employment during 2019/20. Along with a number of cost containment strategies, OVR plans to close the “order of selection,” which creates a waiting list for services.

A number of smaller programs and appropriations under the Department of Labor and Industry received increases in the budget bill:

- New Choices/New Options - \$250,000 increase. This program helps single mothers, displaced homemakers, single pregnant women and individuals in transition to achieve economic self-sufficiency through career development, mentoring, training and support.
- Centers for Independent Living - 2.0 percent increase. The nine state-funded CILs provide information and referral, peer counselling, transition, independent living training and advocacy for Pennsylvanians with disabilities.
- Assistive technology financing - \$25,000 increase. This support helps the state’s alternative assistive technology financing program provide low-interest loans, loan guarantees and other support to help people with disabilities acquire expensive devices and equipment.
- Assistive technology demonstration and training - \$50,000 increase. Supports the assistive technology lending library to allow individuals to try out equipment before making a purchase.

The Bureau of Occupational and Industrial Safety will retain an additional \$3 million of its inspection fees, for a total of \$10 million, as proposed in the executive budget. This dedicated revenue ensures the bureau has additional resources to perform safety inspections of things like elevators, boilers, and building plans to protect the public, but also allows the General Fund appropriation to be reduced by \$2.1 million. Any fees collected by the bureau beyond \$10 million will be deposited into the General Fund.

**MINIMUM WAGE**

Gov. Wolf’s executive budget proposed to raise the minimum wage to \$12/hour effective July 1, 2019, followed by 50 cent increases annually until 2025, when the minimum wage would reach \$15/hour.

House and Senate Republicans rejected the governor’s proposal to increase the minimum wage, and the final budget plan does not assume or include any change to the minimum wage. The executive budget assumed net savings and increased revenues based on raising the minimum wage.

**Health and Human Services**

**HEALTH**

2019/20 State Appropriations - Health and Human Services				
Fund amounts in thousands of dollars	Health	Drug & Alcohol Programs	Human Services	Aging
General Fund	203,443	47,389	12,704,313	-
Lottery Fund	-	-	400,513	492,170
Tobacco Settlement Fund	-	-	161,920	-
Emergency Medical Services Operating Fund	14,750	-	-	-

The budget includes funding to the Department of Health that is largely in line with the governor’s request. It also offers several additional, targeted increases to specific programs.

Gov. Wolf’s new initiative for responsive monitoring of environmental contaminants is fully funded in the General Appropriations Act at \$1.47 million – split between the general government operations and state laboratory appropriations. The primary focus of this initiative is to track and address the impacts of perfluoroalkyl and polyfluoroalkyl substances (PFAS), which are manmade chemicals found in a variety of items and places that neither break down in the environment nor the human body.



The budget largely eliminates the appropriation for vital statistics, as these funds are offset by revenue collected from increased birth and death certificate fees authorized by the legislature over the prior two years.

The budget package, at a minimum, restores all of the disease- and research-specific appropriations within the Department of Health to the prior-year funding level. Additionally, these appropriations remain independent with no consolidation. The budget increases funding to the following:

- Diabetes programs - \$100,000 earmarked for increased outreach efforts related to Type I Diabetes awareness (100 percent increase over 2018/19)
- Regional cancer institutes - \$500,000 (71.4 percent increase over 2018/19)
- Lyme disease - \$500,000 earmarked for a free tick testing program coordinated with a PASSHE school (20 percent increase over 2018/19)
- Bio-technology research - \$1.83 million (31.3 percent increase over 2018/19)
- ALS support services - \$100,000 (13.3 percent increase over 2018/19)

## ***DRUG AND ALCOHOL PROGRAMS***

The budget provides level funding for assistance to drug and alcohol programs, which provides grants to single county authorities across the commonwealth to develop and implement substance abuse education, prevention and treatment programs.

Funding for general government operations increases by \$793,000 - 42.5 percent - to bolster administrative resources needed to effectively implement state and federal programs, which mirrors Gov. Wolf's request.

Outside of the Department of Drug and Alcohol Programs, the budget package includes \$1.5 million in new funding through the Pennsylvania Commission on Crime and Delinquency (PCCD) to supply additional doses of Naloxone to first responders.

## ***HUMAN SERVICES***

The budget appropriates \$12.7 billion in state General Funds to the Department of Human Services, a \$97.3 million decrease from the revised 2018/19 budget that counted a supplemental appropriation increase of \$650.5 million.

The Pennsylvania Professional Liability Joint Underwriting Association (JUA) plays a significant role in this supplemental increase for 2018/19, as well as the budget for 2019/20.

- The 2018/19 supplemental increase includes \$200 million to backfill the funding gap created in Medical Assistance-capitation when the court blocked the transfer from the JUA. The transfer was anticipated by June 30, 2019.
- The administration has appealed the court's decision and the budget assumes the JUA transfer will occur in 2019/20. Consequently, the 2019/20 appropriation for Medical Assistance-capitation is predicated on the success of this appeal and transfer of \$200 million to help pay program expenditures.
- The budget package also makes numerous changes to the funding, administration and oversight of JUA, and it is now subject to legislative budget submissions/approval, state employee disclosure requirements and public hearings in line with the requirements of state agencies.

The budget package contains additional changes - outlined in the 'Budget Balancing Measures to Monitor' chart - that cumulatively reduce state General Fund expenditures for DHS by approximately \$959.4 million. Some of the key factors driving this figure are:

- Delay in managed care payments - The budget assumes that DHS modifies the payment schedule for its Medicaid managed care plans. This change will shift \$587 million in payments to 2020/21, of which \$216.6 million is state General Funds (\$370.5 million is the federal Medicaid match).
- Program underfunding - We estimate state appropriations for several major programs may be underfunded by approximately \$380 million. The appropriations for Medical Assistance capitation and Community HealthChoices fail to take into account recent enrollment and cost trends. As a result, there may be a need for a significant supplemental increase next spring to pay for these program expenditures.



- **Expenditures paid with prior year funds** – There are several appropriations in DHS that have a portion of 2019/20 expenditures paid with prior year federal and state funds. The use of prior year funds provides \$145 million in state General Fund savings in 2019/20.

The budget reduces funding for Medical Assistance-transportation (MATP) by \$5.4 million due to a required repayment of \$9.5 million in prior year federal claim disallowances in 2018/19. Without these disallowances, funding would have increased by \$4 million, 5.4 percent, in 2019/20. The budget package also includes policy changes impacting the transition of MATP to a statewide broker model (detailed in the summary of the Human Services Code bills).

The budget package does not include Gov. Wolf’s requested increase in Pennsylvania’s minimum wage to \$12 per hour, nor does it include any increase above the current \$7.25 per hour. As a result, the anticipated costs and savings associated with the minimum wage proposal are not included in applicable appropriations throughout DHS.

The budget fully restores funding for hospitals and medical centers to the physician practice plans and academic medical centers appropriations in line with the prior year funding amounts, as detailed below.

<b>Appropriation</b> amounts in thousands of dollars	<b>2018/19 Enacted</b>	<b>2019/20 Proposed</b>	<b>2019/20 Enacted</b>
<b>Physician Practice Plans</b>			
Drexel University	2,750	2,750	2,750
University of Pennsylvania	1,554	1,554	1,554
Thomas Jefferson University	2,267	2,267	2,267
Mercy Philadelphia	1,500	-	1,500
Mercy Hospital Pittsburgh	1,500	-	1,500
Albert Einstein Medical Center	500	-	500
<b>Academic Medical Centers</b>			
UPMC Presbyterian Shadyside	6,347	5,347	6,347
Temple University Hospital	2,992	2,992	2,992
Milton S. Hershey Medical Center	2,992	2,992	2,992
The Commonwealth Medical College	3,500	2,000	3,500
Lake Erie College of Osteopathic Medicine	2,800	800	2,800
Philadelphia College of Osteopathic Medicine	1,550	800	1,550
Penn State - Centre County	4,500	2,500	4,500

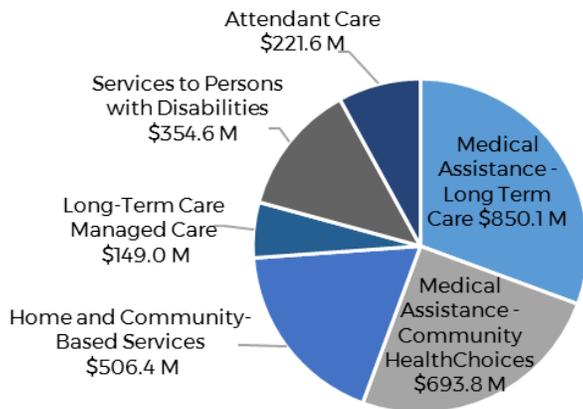
Funding for existing long term living waiver programs continues to shift to Community HealthChoices – the statewide managed care program for seniors and individuals with physical disabilities – as the program becomes active statewide. The final phase of implementation will occur Jan. 1, 2020, to add the remaining regional zones, including Lehigh/Capital, Northwest and Northeast alongside the Southwest (implemented Jan. 1, 2018) and Southeast (implemented Jan. 1, 2019).

- The budget offers a 2 percent rate increase for personal assistance services provided by direct care workers. The proposed increase is across long-term living appropriations including: home and community-based services, services to persons with disabilities, attendant care, and Community HealthChoices.
- Along with Medical Assistance-capitation, the appropriation for Community HealthChoices is significantly underfunded for 2019/20 compared to estimated enrollment, service utilization and cost trends.

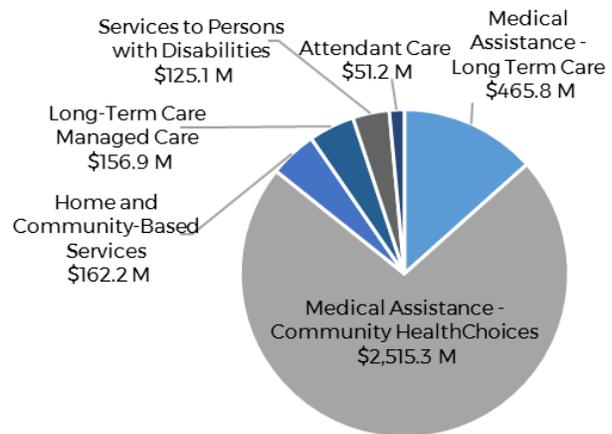


The following pie charts compare the 2018/19 long term living state budget with 2019/20, and illustrate the shifting of funds to Community HealthChoices.

### 2018/19 Revised State General Funding for Long Term Living (\$2.8 billion)



### 2019/20 Enacted State General Funding for Long Term Living (\$3.5 billion)



The 2019/20 budget package includes a number of policy changes set forth in the Human Service Code, which is split between two separate pieces of legislation – Act 12 (HB 33) and Act 19 (SB 695).

Of particular importance, the legislation reauthorized three Medicaid assessments that were set to expire after June 30, 2019: the nursing facility assessment, the Philadelphia hospital assessment, and the assessment on intermediate care facilities for individuals with intellectual disabilities. Revenue generated from these assessments supports the department’s Medical Assistance programs and thereby reduces state General Fund spending for these programs. Altogether, these three assessments are estimated to save the state nearly \$260 million in 2019/20.

Additionally, the legislation reauthorized the nursing facility budget adjustment factor (BAF) which serves to cap the Medical Assistance rates paid to nursing facilities and thereby significantly reduces state spending. Without the BAF renewal, the department would have been obligated to pay rates based on an uncapped reimbursement formula (per state regulations) which, in turn, would have increased state costs by an estimated \$360 million in 2019/20.

Assessment and Policy Extensions in Human Service Code Legislation		
Assessment/Policy	Extended Until	2019/20 State Savings
Nursing Facility Assessment	6/30/2022	\$180 million
Philadelphia Hospital Assessment	6/30/2024	\$60 million
ICF-ID Assessment	6/30/2024	\$18 million
Nursing Facility Budget Adjustment Factor (BAF)	6/30/2022	\$360 million

Act 12 (HB 33) makes the following policy changes:

- Eliminates the state-funded general assistance cash assistance program on Aug. 1, 2019.
- Extends and increases funding for the Medical Assistance Day One Incentive (MDOI) payment for qualifying, nonpublic nursing facilities to \$16 million.
  - The MDOI is a targeted payment for facilities with a high occupancy rate (85 percent or higher) with a high Medical Assistance occupancy rate (65 percent or higher).
  - In 2018/19, MDOI payments were budgeted at \$8 million.



- Renews and extends the Philadelphia Hospital Assessment through June 30, 2024. A portion of this assessment is used by the department to pay for its fee-for-service program and is estimated to reduce annual state spending by \$60 million. In addition, this assessment will annually provide \$93 million to participating Philadelphia hospitals and \$12 million to the City of Philadelphia. Reauthorization includes the following policy changes:
  - Modifies the definitions of “high volume Medicaid hospital” and “net patient revenue”
  - Provides for different assessment percentages for acute care and high volume Medicaid hospitals
  - Outlines additional administrative provisions for calculating hospital assessments when facilities open, close or change ownership
- Revises the Statewide Quality Care Assessment – also known as the Statewide Hospital Assessment – to adjust the definitions of “net inpatient revenue” and “net outpatient revenue”. This is a technical change that clarifies how the assessment is currently levied.

Act 19 (SB 695) makes the following policy changes:

- Extends the nursing facility budget adjustment factor (BAF) through June 30, 2022.
  - Each year, DHS is required to set Medical Assistance per diem rates for nursing facilities.
  - The BAF allows DHS to adjust and limit payments to facilities based upon the funds appropriated by the legislature.
- Renews and extends the Nursing Facility Assessment through June 30, 2022. Revenue generated from this assessment supports nursing home payments and saves the state \$180 million annually
  - This assessment is applied to county and nonpublic nursing homes.
  - The language also includes a slight change to outline long-term services and supports offered through managed care organizations.
- Renews and extends the Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF-ID) Assessment through June 30, 2024. This assessment supports the department’s ID programs and is anticipated to save the state approximately \$18 million in 2019/20.
- Requires a study to be conducted into the efficacy of a full-risk brokerage model to deliver nonemergency medical transportation services under the Medical Assistance-transportation (MATP) appropriation.
  - Last year, the Human Services Code directed the department to transition statewide nonemergency medical transportation services to a regional or statewide broker model.
  - The study is to be commissioned by DHS, along with the Department of Aging and Transportation.
  - The study is to include an analysis of current state and federal MATP policies, the effectiveness of the current program, a review of other state’s MATP services, and an analysis on the impact on service availability and quality for consumers.
  - The study must be completed within 180 days, with a preliminary report prepared within 90 days; both reports are to be supplied to appropriate standing committees in the legislature.
- Requires DHS to conduct a study of the projected costs and impact to Medical Assistance managed care organizations associated with a transition to a uniform statewide preferred drug list (PDL).
  - Earlier this year, DHS announced plans to move to a uniform statewide preferred drug list as of Jan. 1, 2020 – replacing the existing system of individual PDLs associated with each managed care organization.
  - The study is to be completed within 60 days and supplied to appropriate standing committees in the legislature.

## Intellectual Disabilities and Autism

Total state spending on services for individuals with intellectual disabilities and autism spectrum disorder is \$2.06 billion. The appropriation for community waiver programs funds several important initiatives originally proposed in the governor’s Executive Budget. State funds totaling \$15.00 million (which draw \$15.31 million in federal matching funds) are committed to provide services to an additional 865 individuals on an emergency waiting list that counts 5,306 people. Of this total, \$10.96 million would place 765 people in the community living waiver while \$4.04 million would place 100 people in the consolidated waiver.



(amounts in thousands)	2018/19	2019/02	Change
Intellectual Disabilities - Community Base Program	\$143,379	\$149,653	\$6,274
Intellectual Disabilities - Intermediate Care Facilities	\$143,003	\$148,148	\$5,145
Intellectual Disabilities - Community Waiver Program	\$1,643,812	\$1,728,641	\$84,829
Residential Services - Landsdowne	\$340	\$340	\$0
Autism Intervention and Services	\$30,842	\$30,295	(\$547)

## Income Maintenance

Act 12 (the Human Services Code) repeals the general assistance cash assistance program, which provided about \$200 per month to victims of domestic violence, the disabled, and those seeking treatment for substance use disorder. Funding for this program was previously included under the cash grants appropriation, which also funds assistance provided to TANF recipients. As a result of this general assistance repeal, the cash grants appropriation was reduced by \$55.4 million from the governor's request. Additionally, a downward revision in projected TANF caseload, contributes to the \$7.17 million year-over-year decrease in cash grants compared to 2018/19.

## Child Development

The budget relies more on federal block grants funds to significantly reduce state spending on child care services and assistance. Federal block grants will also fund new initiatives in 2019/20.

The waiting list for child care services currently stands at 4,700. The budget includes an additional \$15 million in federal funds to remove 970 infants from this waiting list. Reimbursement rates for STARS 2, 3, and 4 providers are increased by 28 percent at a cost of \$9.99 million in federal block grant funds.

An additional \$5 million in state funding will be spent on community-based family centers. This will increase access to evidence-based home visiting services to 800 more Pennsylvania families and bring total spending to \$18.56 million.

Finally, the budget includes \$5 million in state funds to provide a 3 percent increase to early intervention service rates to support infants up to age three with developmental delays and disabilities.

## Other

The 2019/20 budget supports a needs-based budget allocation of \$1.99 billion for county child welfare services, which is an increase of \$94.8 million over 2018/19. It includes state appropriations of \$1.26 billion (an increase of \$34 million over 2018/19), however, this increase still leaves an additional \$50 million in required spending that is currently unfunded and will need to be addressed later in the fiscal year.

The budget increases state spending on domestic violence services by \$1.74 million, or 10.0 percent, to \$19.09 million. Funding for rape crisis services also increases 10.0 percent to \$10.92 million in state funding.

## **Tobacco Settlement Fund**

Act 43 of 2017 authorized the governor to issue \$1.5 billion in bonds backed by future revenues from the Tobacco Master Settlement Agreement (MSA). The act established procedures for the resulting debt payments, which allowed for repayment either from MSA revenues or from sales and use tax revenues.

Act 20 (the 2019/20 Fiscal Code) requires that MSA revenues sufficient to make annual debt service payments must be deposited into the debt service account established by Act 43. Debt service payments will total \$115 million in 2019/20, representing approximately one-third of expected MSA revenues for the fiscal year. However, Act 20 also mandates that for 2019/20, revenues equal to the debt service amount will be transferred from cigarette tax collections and deposited into the Tobacco Settlement Fund, consequently, the fund is held harmless in 2019/20.

Act 20 (the Fiscal Code) repeals the original language from Act 71 of 2013 which specified how MSA revenues would be disbursed. Finally, Act 20 also codifies the new disbursement formula, which has been enacted in the



Fiscal Code each of the past several fiscal years. The 2019/20 formula is **unchanged** from 2018/19 and disburses money as follows:

<b>Tobacco Settlement Fund</b>		
	<b>Act 71 of 2013</b>	<b>Act 20 of 2019</b>
<b>Health-Related Programs</b>	<b>Allocation %</b>	<b>Allocation %</b>
Home and Community-Based Services	13%	0%
Tobacco Use Prevention and Cessation	4.5%	4.5%
Health and Related Research (CURE)	13.6%	13.6%
Hospital Uncompensated Care	8.18%	8.18%
Medical Assistance for Workers with Disabilities	30%	30%
PACenet Transfer	8%	0%
Health-Related Purposes:	22.72%	43.72%

## **Lottery Fund**

The Lottery Fund includes \$1.3 billion for senior programs in 2019/20. This is a decrease of \$11.2 million when compared to the revised 2018/19 spending level, which included supplemental appropriation increases of \$68.9 million.

The table below details Lottery Fund expenditures by agency and program. Funding for programs administered by the departments of Aging and Human Services are appropriated from the Lottery Fund as part of the General Appropriations Act. Programs administered by the departments of Revenue and Transportation receive their funding through executive authorizations.

<b>Lottery Fund Expenditures for Senior Programs</b>			
<i>(amounts in thousands of dollars)</i>			
	<b>2018/19</b>	<b>2019/20</b>	<b>Change</b>
<b>Agency/Programs</b>	<b>Revised *</b>	<b>Enacted</b>	<b>from 2018/19</b>
<b>Department of Aging:</b>			
PennCARE	\$338,725	\$305,324	-\$33,401
Pharmaceutical Assistance Fund	\$155,000	\$155,000	\$0
Pre-Admission Assessment	\$8,750	\$8,750	\$0
Caregiver Support	\$12,103	\$12,103	\$0
Grants to Senior Centers	\$2,000	\$2,000	\$0
Alzheimer's Outreach	\$250	\$250	\$0
<b>Department of Human Services:</b>			
Medical Assistance Long-Term Care	\$81,381	\$0	-\$81,381
Home and Community Based Services	\$120,668	\$0	-\$120,668
Medical Assistance Transportation	\$3,500	\$3,500	\$0
Community HealthChoices	\$166,806	\$397,013	\$230,207
<b>Department of Revenue:</b>			
Property Tax and Rent Rebate	\$264,700	\$266,700	\$2,000
<b>Department of Transportation:</b>			
Transfer to Public Transportation Trust Fund (Free Ride)	\$95,907	\$95,907	\$0
Shared Ride	\$82,975	\$75,000	-\$7,975
<b>TOTAL LOTTERY FUNDS</b>	<b>\$1,332,765</b>	<b>\$1,321,547</b>	<b>-\$11,218</b>
* 2018/19 includes supplemental appropriation increases for PennCARE (\$4.9 million), Home and Community-Based Services (\$50.3 million) and Community HealthChoices (\$13.7 million).			



The 2018/19 supplemental appropriation increases are identical to the amounts requested by the governor in his February Executive Budget.

- \$64 million is for Medicaid expenditures in the Department of Human Services. Most of these dollars (\$50.3 million) go to the home and community based services appropriation, which funds the aging waiver program for frail seniors. The remainder (\$13.7 million) is for Community HealthChoices, the managed care program for seniors and adults with physical disabilities. The upward revision to these two Lottery Fund appropriations reduced the amount of General Fund supplemental appropriation increases that otherwise would have been required.
- \$4.9 million is for PENNCARE in the Department of Aging. These funds were requested to repay the federal government for past reimbursement claims (dating back to 2008) that were determined to be ineligible for federal Medicaid matching funds. This represents only part of the total amount (\$27.3 million) owed the federal government -- the balance of \$22.4 million is paid from the Tobacco Settlement Fund via a one-time executive authorization for 2018/19.

The Lottery Fund's 2019/20 expenditures reflect the impact of Community HealthChoices expanding to all 67 counties, effective Jan. 1, 2020. The increased Lottery Fund appropriation for Community HealthChoices supports the higher expenditures associated with statewide expansion and, in turn, reduces the amount of General Fund revenue that otherwise would be required for the program.

Lottery Funds are being transferred from the following appropriations to Community HealthChoices to support seniors who will be transitioning to the program: PENNCARE, Medical Assistance long term care, and home and community based services.

- PENNCARE decreases \$49 million due to the transition of roughly 4,000 current attendant care waiver users to Community HealthChoices. Attendant care helps people with physical disabilities carry out basic daily living tasks (such as eating, bathing and dressing) and enables them to remain independent in their homes. Individuals who qualify for Medicaid receive their services through the Attendant Care Waiver program.
- The funds previously appropriated for Medical Assistance long term care and home and community based services are shifted to Community HealthChoices.

The 2019/20 budget includes \$5.9 million from the Lottery Fund for **protective service investigations** - an increase of \$2.8 million compared to the \$3.07 million budgeted in 2018/19. Protective services for seniors are among the many home and community-based programs funded through the PENNCARE appropriation. However, the large transfer to Community HealthChoices is masking this and other increases budgeted for PENNCARE programs, including a small increase for the state-funded attendant care services provided to elderly Pennsylvanians who do not qualify for Medicaid.

The higher executive authorization for property tax and rent rebate is based on a projected increase in rebates that will be paid to participating households.

Reduced funding for the shared ride program is based on ridership estimates.

## **Environmental Protection**

The Department of Environmental Protection's state General Fund budget is \$135.15 million, which is \$20.9 million, or 13.4 percent, less than 2018/19.

The 2019/20 budget provides Environmental Stewardship (ESF) and Recycling funds (RF) for activities traditionally paid for with General Funds, which mirrors Executive Budget requests.

Almost \$13.8 million in appropriations is moved from the General Fund to the Environmental Stewardship Fund, including expenditures for a number of water commissions traditionally paid for with General Fund revenue. Water and mining commissions are not funded to their fair share.

The new budget also moves \$10 million from the General Fund to the Recycling Fund.

And, there is a public health initiative included in the Department of Health related to addressing the human and environmental impact of Perfluoralkyl and Polyfluoroalkyl substances (PFAS).



## Conservation and Natural Resources

Department of Conservation and Natural Resource's state General Fund budget is \$117.18 million, or 4.5 percent, less than 2018/19.

The governor's proposal to use \$30 million in additional funds from the Keystone Recreation, Park & Conservation Fund (KF) instead of the General Fund was rejected in the enacted budget. However, the budget provides Oil & Gas Lease (\$20.98 million) and Environmental Stewardship funds (\$2.25 million) for activities customarily paid for with General Funds.

### Combined Shifts to Special Funds (DEP, DCNR)

In total, the 2019/20 budget shifts \$47.02 million from the General Fund to Environmental Stewardship, Recycling, and Oil & Gas Lease funds for DCNR and DEP.

The table shows the funding shifts in more detail. The amounts reflect the change in spending and do not represent total appropriations for the departments.

DCNR & DEP Special Fund Use						
2019/20 Less 2018/19 Comparison						
(amounts in thousands)						
Department	2019/20 to 2018/19 Changes					
	GF	KF	ESF	OGLF	RF	\$ Δ
<b>DCNR</b>						
General Gov't Operations	\$ 2,381	\$ -	\$ -	\$ 741	\$ -	\$ 3,122
State Parks Operations	\$ (874)	\$ -	\$ -	\$ 10,151	\$ -	\$ 9,277
State Forests Operations	\$ (3,442)	\$ -	\$ -	\$ 10,084	\$ -	\$ 6,642
Heritage and Other Parks	\$ (2,000)	\$ -	\$ 2,250	\$ -	\$ -	\$ 250
<b>DCNR Total</b>	<b>\$ (3,935)</b>	<b>\$ -</b>	<b>\$ 2,250</b>	<b>\$ 20,976</b>	<b>\$ -</b>	<b>\$ 19,291</b>
<b>DEP</b>						
General Gov't Operations	\$ (3,674)	\$ -	\$ 773	\$ -	\$ 1,037	\$ (1,864)
Environmental Program Management	\$ (2,512)	\$ -	\$ 1,790	\$ -	\$ 2,403	\$ 1,681
Environmental Protection Operations	\$ (8,667)	\$ -	\$ 4,886	\$ -	\$ 6,560	\$ 2,779
Chesapeake Bay Agricultural Abatement	\$ (2,670)	\$ -	\$ 2,974	\$ -	\$ -	\$ 304
Transfer to Conservation District Fund	\$ (2,506)	\$ -	\$ 2,506	\$ -	\$ -	\$ -
Delaware River Master	\$ (38)	\$ -	\$ 38	\$ -	\$ -	\$ -
Susquehanna River Basin Comm.	\$ (237)	\$ -	\$ 205	\$ -	\$ -	\$ (32)
Interstate Comm on the Potomac River	\$ (23)	\$ -	\$ 23	\$ -	\$ -	\$ -
Delaware River Basin Comm	\$ (217)	\$ -	\$ 217	\$ -	\$ -	\$ -
Ohio River Valley Water Sanitation Comm	\$ (68)	\$ -	\$ 68	\$ -	\$ -	\$ -
Chesapeake Bay Comm	\$ (275)	\$ -	\$ 300	\$ -	\$ -	\$ 25
Interstate Mining Comm	\$ (15)	\$ -	\$ 15	\$ -	\$ -	\$ -
<b>DEP Total</b>	<b>\$ (20,902)</b>	<b>\$ -</b>	<b>\$ 13,795</b>	<b>\$ -</b>	<b>\$ 10,000</b>	<b>\$ 2,893</b>
<b>DCNR &amp; DEP FUNDING SHIFT TOTAL</b>	<b>\$ (24,837)</b>	<b>\$ -</b>	<b>\$ 16,045</b>	<b>\$ 20,976</b>	<b>\$ 10,000</b>	<b>\$ 22,184</b>

Special Fund 2019/20 less 2018/19 Summary	
(amounts in thousands)	
Fund	Amt
Oil & Gas Lease Fund	\$ 20,976
Environmental Stewardship Fund	\$ 16,045
Keystone Fund	\$ -
Recycling Fund	\$ 10,000
<b>Total Special Fund Transfers</b>	<b>\$ 47,021</b>



Environmental Funds Revenues & Expenditures				
Fund Name	Revenue Sources	Expenditure Types	Area	Appropriation/Executive Authorization
<b>Environmental Stewardship Fund</b>	Solid Waste Tipping Fee - \$0.25/ton Solid Waste Disposal Fee - \$4.00/ton 10% Transfer from Marcellus Legacy Fund Dept of Treasury Investment/Interest income	Farmland Preservation Projects Watershed Protection/Restoration Water/Sewer Infrastructure Improvements Improvements/Preservation of: - State/Community Parks - Recreational Facilities Crowing Greener Debt Service	AGR	Conservation Easement Program
			DCNR	Community Conservation Grants Parks & Forest Rehabilitation Natural Diversity Conservation Grants
			DEP	Watershed Protection & Restoration
			PennVEST	Storm Water & Sewer Grants
			Treasury	Crowing Greener Debt Service
<b>Keystone Recreation Park &amp; Conservation Fund</b>	15% Transfer From Realty Transfer Tax (RTT) Dept of Treasury Investment/Interest income	Acquisitions/Improvements/Expansions: - State/Community Parks - Recreational Facilities - Historic Sites - Zoos - Public Libraries - Nature Preserves & Wildlife Habitats PASSHE Deferred Maintenance	DCNR	Parks & Forest Facility Rehabilitation Grants for Local Recreation Grants to Land Trusts
			Education	Local Libraries Rehabilitation/Dev
			Hist & Museum Comm	Historic Site Development
			PASSHE	Deferred Maintenance
<b>Recycling Fund</b>	Recycling Fees Transfer from Hazardous Sites Cleanup Fund Transfer from Public Ed/Tech Assistance Dept of Treasury Investment/Interest income	Recycling/Planning/Processing Grants Market & Waste Minimization Studies Public Info/Educational Activities Local Gov't Commitments PA Recycling Markets Center (Penn State)	DEP	Recycling Coordinator Grants Reimbursement for Municipal Inspection Recycling Prog Administration County Planning Grants Municipal Recycling Grants Municipal Recycling Performance Prog Public Education/Technical Assistance
<b>Oil &amp; Gas Lease Fund</b>	Rents/Royalties Oil/Gas Leases of State Owned Land Dept of Treasury Investment/Interest income	General Gov't Operations State Park Operations State Forest Operations Transfer to Marcellus Legacy Fund	DCNR	General Gov't Operations State Parks Operations State Forests Operations Transfer to Marcellus Legacy Fund

## Agriculture

The Department of Agriculture's state General Fund budget of \$171.29 million is \$19.49 million, or 12.84 percent, more than 2018/19.

The budget includes a number of appropriations that align with the PA Farm Bill package and a number of appropriations that were eliminated in the Executive Budget proposal.

Agriculture 2019/20 less 2018/19 Changes		
(amounts in thousands)		
Appropriation	Amt	Description
General Government Operations	\$ 1,432	Increase to continue current program
Spotted Lanternfly Control	<b>\$(3,000)</b>	Program absorbed in Agricultural Preparedness and Response
Agricultural Preparedness and Response	\$ 4,000	Appropriation to increase rapid response capabilities, part of PA Farm Bill package
Agricultural Excellence	\$ 1,469	Increased program funding and new funding related to PA Farm Bill package
Agricultural Business and Workforce Investment	\$ 4,500	New funding related to the PA Farm Bill package
Agricultural Promotion, Education and Exports	\$ 250	Increased funding
Hardwoods Research and Promotion	\$ 50	Increased funding
Livestock and Consumer Health Protection	\$ 1,000	New funding for operational flexibility
Transfer to Nutrient Management Fund	\$ 3,486	Additional program funding and funding related to grants/loans as part of PA Farm Bill package
Transfer to Agricultural College Land Scrip Fund	\$ 1,078	2 percent increase, consistent accross higher ed lines
PA Preferred Program	\$ 2,600	Increased program funding related to PA Farm Bill package
University of Penn. - Veterinary Activities	\$ 621	2 percent increase, consistent accross higher ed lines
University of Penn. - Center for Infect. Disease	\$ 6	2 percent increase, consistent accross higher ed lines
Animal Health and Diagnostic Commission	\$ 2,000	Commission funding in addition to Race Horse Development Fund appropriation
	<b>\$ 19,492</b>	



The 2019/20 budget includes two appropriations not contained in 2018/19. 1) *Livestock & consumer health protection*, \$1 million, will provide additional operating flexibility and serve as an added funding stream if there is a need to combat invasive species and diseases. 2) *Animal Health & Diagnostic Commission* is within the Race Horse Development Fund for \$5.35 million and also receives a \$2 million appropriation from the General Fund, which would provide additional support to the Pennsylvania Animal Health Laboratory System. PADLS includes the Pennsylvania Veterinary Laboratory, Penn State University's Animal Diagnostic Lab, and the University of Pennsylvania School of Veterinary Medicine's New Bolton Center.

Prior to 2019/20, the *Animal Health & Diagnostic Commission* was entirely supported by the General Fund from 2003/04 - 2012/13 and the Race Horse Development Fund from 2014/15 - 2018/19. As indicated above, the 2019/20 budget shifts some funding back to the General Fund.

*State food purchase* (assistance for those who are food insecure) is flat funded at \$19.69 million. Of this, \$1.5 million is for the Pennsylvania Agricultural Surplus System, or PASS; \$1 million is for The Emergency Food Assistance Program, or TEFAP; and \$500,000 is for TEFAP distribution.

The table below provides additional detail related to the PA Farm Bill package.

<b>Act 1A of 2019 (GAA) Items Part of PA Farm Bill Package*</b>			
<b>(amounts in thousands)</b>			
<b>2019 Act No.</b>	<b>Bill No.</b>	<b>Amt.</b>	<b>Description</b>
Act 13	HB 262	\$3,000	Increase REAP Lifetime Cap and Availability
		\$0	Realty transfer tax exemption to qualified beginning farmers
Act 28	SB 338	\$0	Expansion of width allowance for farm vehicles
Act 34	HB 1514	\$500	PA Farm to School Grant Program
Act 35	HB 1516	\$4,000	PA Rapid Response Disaster Readiness Account
Act 1A	HB 790	\$1,000	Center for Animal Agriculture Excellence
Act 36	HB 1520	\$500	Incentivizing Access to Meat Processing Inspections
		\$1,600	PA Preferred Organic Initiative
		\$1,000	PA Preferred and Homegrown by Heroes Programs
Act 37	HB 1526	\$500	Agriculture Linked Investment Program
Act 38 / Act 20	HB 1590 & SB 712	\$5,000	CFA funds for R&D, Processing, Marketing Grants - Dairy Inv Prog
Act 39	SB 634	\$2,500	Conservation Excellence Grant Program
Act 40	SB 661	\$500	State-Level Specialty Crop Block Grant Program
		\$500	Urban Agriculture Infrastructure
		\$500	Agriculture & Youth Grant Program
		\$2,000	PA Business Development Center
		<b>\$23,100</b>	

\*Act 1A (GAA) provides for appropriations included within the PA Farm Bill package. Individual acts provide qualifying language.

The Fiscal Code (Act 20 of 2019) provides language relative to the department. The House Appropriations Committee's analysis is [here](#).

## **Community and Economic Development**

The 2019/20 budget does not immensely differ from 2018/19 for the Department of Community and Economic Development. One of the most noteworthy differences is PA First, which contains part of the governor's workforce initiative (Pa SWEAP). The \$32 million appropriation will fund grants for job creation and retention, infrastructure projects and the popular incumbent workforce development program, WEDNetPA.

Additionally, the enacted budget increases the "Transfer to the Municipalities Financial Recovery Revolving Loan Fund" by \$3.5 million compared to 2018/19. The \$4.5 million appropriation will fund grants and loans to



Act 47 municipalities facing financial insolvency. Currently, 18 municipalities are considered financially distressed.

Moreover, funding for the “Infrastructure and Facilities Improvement Grants” decreased by \$6 million (37.5 percent) compared to 2018/19. The \$10 million appropriation is based on cash flow and anticipated commitments to provide grants to eligible entities that improve manufacturing, industrial, research and hospital facilities.

Overall, DCED’s state General Fund budget of \$179.39 million is \$22.32 million, or 14.2 percent, more than 2018/19.

## **Criminal Justice**

Though the governor proposed merging the Department of Corrections and the Board of Probation and Parole, the General Assembly has yet to enact the merger in statute. However, the two agencies have combined some operations through a memorandum of understanding. (As defined, all references to the Department of Criminal Justice throughout the budget package refer to either the Department of Corrections or to the Board of Probation and Parole, as necessary.)

The budget appropriates \$2.6 billion to the department, and the vast majority (\$2.04 billion) is for state correctional institutions. Despite having closed SCI Pittsburgh in 2017, rising personnel and health care costs have continued to increase state prison spending.

<b>Major Department of Criminal Justice Appropriations</b>				
<b>(amounts in thousands)</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Change</b>	<b>Percent Change</b>
GGO	\$48,415	\$45,035	(\$3,380)	-7.0%
State Correctional Institutions	\$2,021,715	\$2,043,718	\$22,003	1.1%
Medical Care	\$275,117	\$293,810	\$18,693	6.8%
Board of Probation and Parole	\$12,325	\$12,104	(\$221)	-1.8%
State Field Supervision	\$135,742	\$140,602	\$4,860	3.6%

While the appropriation for the Office of the Victim Advocate is eliminated in the budget, the office will continue to exist but will derive its funding through the Department of Criminal Justice’s general government operations.

## **State Police**

The general fund appropriation for state police general government operations is \$342.1 million or \$97.3 million more than the governor’s request, and \$57.3 million more than 2018/19.

The seemingly large increase is because the governor’s proposed fee on municipalities that rely on state police for full-time coverage of \$103.9 million was not enacted. Therefore, additional state funding is appropriated in lieu of this proposal.

The Pennsylvania Instant Check System (PICS) provides instant background checks for sales and transfers of firearms through licensed dealers. PICS is primarily funded by two sources: the Firearms Records Check Fund and a General Fund appropriation for gun checks.

The estimated cost to run the PICS program in 2019/20 is \$8.4 million. Historically expenditures from each of the sources has been about equal, but in the past three enacted budgets, the General Fund gun checks appropriation has been zeroed out. The Pennsylvania State Police has chosen to fund this from its General Government Operations line when funding was eliminated.

The governor’s Executive Budget proposed funding the full cost of PICS by expending the balance in the Firearms Records Check Fund and paying for the remainder out of the General Fund appropriations for Gun Checks. The enacted budget reflects this with an increase of \$4.4 million in the gun checks appropriation and a decrease of \$4.2 million in the Firearms Records Check Fund compared to 2018/19.



## **Commission on Crime and Delinquency**

The budget appropriates \$9.74 million to the Pennsylvania Commission on Crime and Delinquency, an increase of \$2.39 million, or 32.4 percent, over 2018/19. The increase includes a \$1.5 million transfer to the Department of Drug and Alcohol Programs for additional doses of naloxone.

Act 20 (the Fiscal Code) also directed \$1 million from PCCD to the Department of Criminal Justice to enhance mail safety operations at state correctional institutions. And, \$500,000 is allocated to reimburse counties for indigent criminal defense in capital cases.

Most federal appropriations to PCCD were level funded. However spending on police body cameras increased by \$1 million, or 250 percent, and the appropriation for criminal victims assistance increased by \$20 million, or 18.2 percent.

## **Military and Veterans Affairs**

The budget appropriates \$341.40 million to the Department of Military and Veterans Affairs, which includes \$160.33 million in state funds and \$181.1 million in federal funds.

Spending for general government operations increased by \$8.47 million, or 34.3 percent, and most of this increase will be spent to replace radio equipment in the statewide P25 radio upgrade. A small portion of the increase will fund a pilot initiative proposed by the governor, which would create five regional behavioral health units around the commonwealth.

The budget provides a 10.8 percent increase for veterans outreach services, which brings the appropriation to \$3.14 million. This program provides financial support to veterans' service organizations that help veterans access all entitled benefits and programs.

A new appropriation is included in the budget to fund the National Guard Youth Challenge Program in Pennsylvania, which is part of a national effort, established in 1993, to help youths between the ages of 16 and 18 who are struggling to complete traditional high school. Act 51 of 2018 authorized a Pennsylvania Youth Challenge Program but provided no funding for startup. The 2019/20 appropriation is \$1 million.

The proposed budget also eliminates a \$750,000 appropriation for behavioral health support that was established in 2017/18.

## **Transportation**

The 2019/20 budget includes \$6.4 billion in state funding for the Department of Transportation, a decrease of \$304 million, or roughly 4.5 percent. The reduction in spending is a function of: (1) returning to "normal" spending after disproportionately higher 2018/19 expenditures; (2) lagging fuel consumption and lower projected opt-in rates for biennial vehicle registrations; and (3) planned reductions to reinvestment in facilities, rural commercial routes, municipal traffic signals, and infrastructure loans.

Year-over-year reductions include \$213 million less for road and bridge projects and \$103 million less for public transportation, offset by a small inflation-adjusted increase of \$12 million for multimodal projects.

Over two-thirds of the reduction in state funding (approximately \$213 million) will impact roads and bridges. This drop includes \$120 million due to reductions in fuel consumption, lower than expected opt-in rates for biennial vehicle registrations, and \$55 million in planned reductions for one-time 2018/19 funding outlays.

The budget includes a \$109 million, or 5.7 percent, reduction to mass transit grants, which reflects a return to normal spending levels following a disproportionately higher spend from fund balances in 2018/19.

Pursuant to Act 89 of 2013 -- and beginning in 2022/23 -- the PA Turnpike's annual \$450 million payment that supports mass transit will drop to \$50 million and the balance will be supplanted by sales and use taxes on motor vehicles, trailers and semi-trailers. The use of additional sales and use taxes will divert spending from other General Fund programs.

Act 89 funding has been fully implemented and markedly large increases in funding for any of the modes of transportation are no longer expected.



## Office of Administration

The budget continues the transition to a shared services delivery model for human resources and information technology functions. Six delivery centers will provide services to agencies with similar needs and missions, with a goal of leveraging common resources and moving to more standardized tools to reduce duplication and cost.

Within the General Appropriations Act, this approach shows up in a few ways. Most noticeably, the Commonwealth Technology Services appropriation under the executive offices is eliminated and a portion of the funding moved to the Office of Administration's appropriation. OA will bill agencies for the shared services it provides, and these costs are budgeted within general government operations and related appropriations within agency budgets.

## Row Offices

The Office of the Attorney General, the Department of the Auditor General, and the Treasury Department are each headed by an independently elected state official.

Row Office General Government Operations Appropriations				
(amounts in thousands)	2018/19	2019/20	Change (\$)	Change (percent)
Office of Attorney General	\$46,496	\$47,496	\$1,000	2.2%
Department of the Auditor General	\$40,506	\$36,455	(\$4,051)	-10.0%
Treasury Department	\$36,990	\$36,593	(\$397)	-1.1%

This budget increased funding for the joint local-state firearm taskforce within the attorney general's office by \$2.5 million, or 57.1 percent, to \$6.88 million. It also increased funding for the Safe2Say Something school safety initiative, created in 2018, to \$1.70 million - an increase of \$1.10 million, or 182.7 percent.

The budget also combines three existing appropriations to the attorney general into one appropriation for Drug Law Enforcement. This move satisfies the request of the attorney general to increase flexibility with personnel and funding.

(amounts in thousands)	2018/19	2019/20	Change	Percent Change
Drug Law Enforcement	\$28,607	\$49,682		
Local Drug and Drug Strike Task Forces	\$13,644	\$0		
Mobile Street Crimes Unit/Strategic Response Team	\$4,260	\$0		
<b>TOTAL</b>	<b>\$46,511</b>	<b>\$49,682</b>	<b>\$3,171</b>	<b>6.8%</b>

## Lieutenant Governor

The budget increased funding for the lieutenant governor's office by \$351,000, or 33.7 percent. More importantly, however, appropriations to the Board of Pardons increased 86.6 percent (\$667,000) to \$1.44 million to pay for the modernization of the board's antiquated IT systems, which should increase its review of clemency applications.

## Judiciary

This budget appropriates \$355.79 million to the judiciary for 2019/20. With the exception of a small funding increase for the Judicial Conduct Board, all appropriations are at the same level as 2018/19. Aside from this minor increase, funding for the judiciary has remained flat for several fiscal years.

Act 20 (the Fiscal Code) also made permanent a \$2 surcharge on court filings. This surcharge is directed to the Access to Justice restricted receipt account, which is used to provide civil legal assistance to poor and disadvantaged individuals.

