

# **Commonwealth of Pennsylvania**

## **PROPOSED FY 2016-17 BUDGET**

### **February 9, 2016**



### **Senate Appropriations Committee Senator Pat Browne, Chairman**

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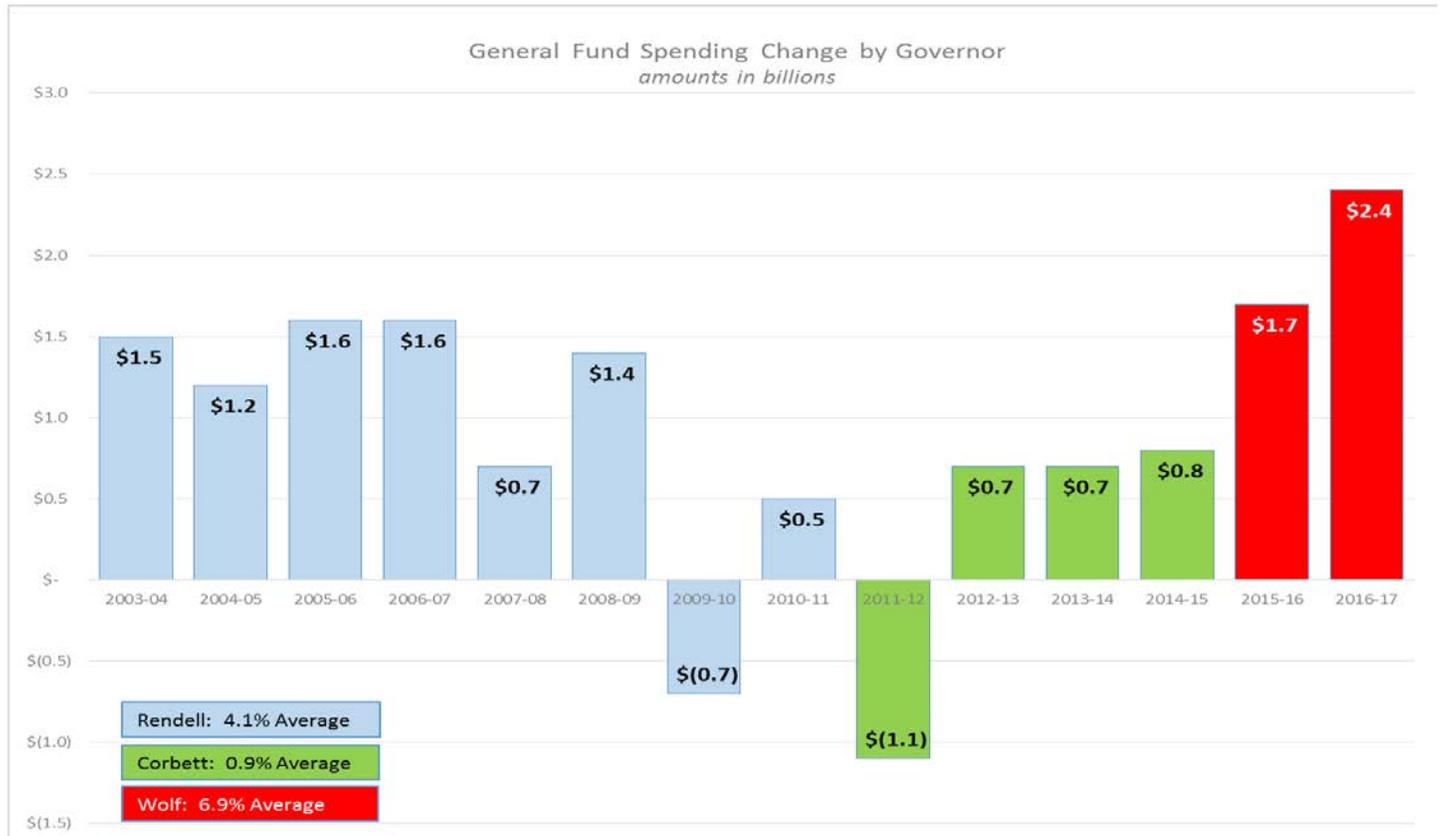
Gregory Jordan, Executive Director  
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# GOVERNOR'S BUDGET FOR 2016-17

## OVERVIEW

The Governor's FY 2016-17 budget proposal may appear more restrained than his FY 2015-16 proposal, but one must examine the details. Governor Wolf is proposing a \$33.288 billion General Fund budget. This is an increase of \$3.025 billion, or 10%, over House Bill 1460 as enacted by the General Assembly in December 2015. When comparing the Governor's proposal to the so called "framework" budget, it is a \$2.5 billion, or 8.1%, increase. When compared to his revised FY 2015-16 budget (including proposed supplemental appropriations), it is a \$2.45 billion, or 7.9%, increase in spending.

When considering the magnitude of the Governor's spending request, some perspective is instructive. During Governor Rendell's tenure, the average annual increase in spending was 4.1%. The average annual General Fund increase during the Corbett administration was 0.9%. Governor Wolf's first budget proposed an increase of 9.17%. In each of his first two budgets, his requests are nearly double the annual increases under Governor Rendell who was a self-proclaimed "big spender".



To support his requested spend, Governor Wolf is proposing another historic tax increase of \$3.6 billion over two years (FY 2015-16 and FY 2016-17). The Governor proposes to increase the personal income tax rate from 3.07% to 3.4%, an increase of 11%. However, because the PIT rate increase is retroactive to January 1, 2016, an initially higher withholding rate would be required if enacted. The initial withholding rate cannot currently be calculated as it depends on the timing of the potential enactment. The sales and use tax would be expanded to include several currently un-taxed items, and the vendor discount would be capped. The tax on a pack of cigarettes

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would be increased by \$1.00 to \$2.60 per pack. Other currently un-taxed tobacco products would be taxed at 40% of the wholesale price. The bank shares tax and the insurance premiums taxes would be increased, and a new 8% tax would be imposed on promotional slots play at casinos. A 6.5% severance tax would be imposed on natural gas production effective July 1, 2016. Indications are that natural gas producers will be able to take a full credit for the existing gas well impact fees. The Governor also assumes a \$100 million increase in the Liquor Control Board profit transfer through modernization initiatives.

The General Fund financial statement found in the Governor's Budget assumes nearly \$900 million in new tax revenue in the current fiscal year and \$2.7 billion next year. The revenue gain in FY 2015-16 is only possible because of the retroactive implementation of several of the tax proposals and must assume an aggressive schedule for enactment and implementation. Appropriations committee staff reviews of previous tax proposals over the last several months indicate that each month delay in enactment of the reviewed proposals resulted in a reduction of about \$100 million in the projected tax yield. That analysis is probably applicable to the Governor's current proposal as well.

The Governor also proposes to annually transfer a portion of PIT revenues to a restricted revenue account to offset the Commonwealth's contribution for school employee retirement costs. The proposed offsets are \$280 million in the current fiscal year, increasing to \$560 million in FY 2016-17.

The Governor's budget is balanced based on his revenue and expenditure assumptions. The Governor indicates \$70 million must be transferred from the FY 2014-15 ending balance to the Rainy Day Fund by the end of March due to the lack of Fiscal Code language keeping those funds in the General Fund. The Governor would build on that reserve by transferring 25% of the projected FY 2016-17 ending balance to the Rainy Day Fund.

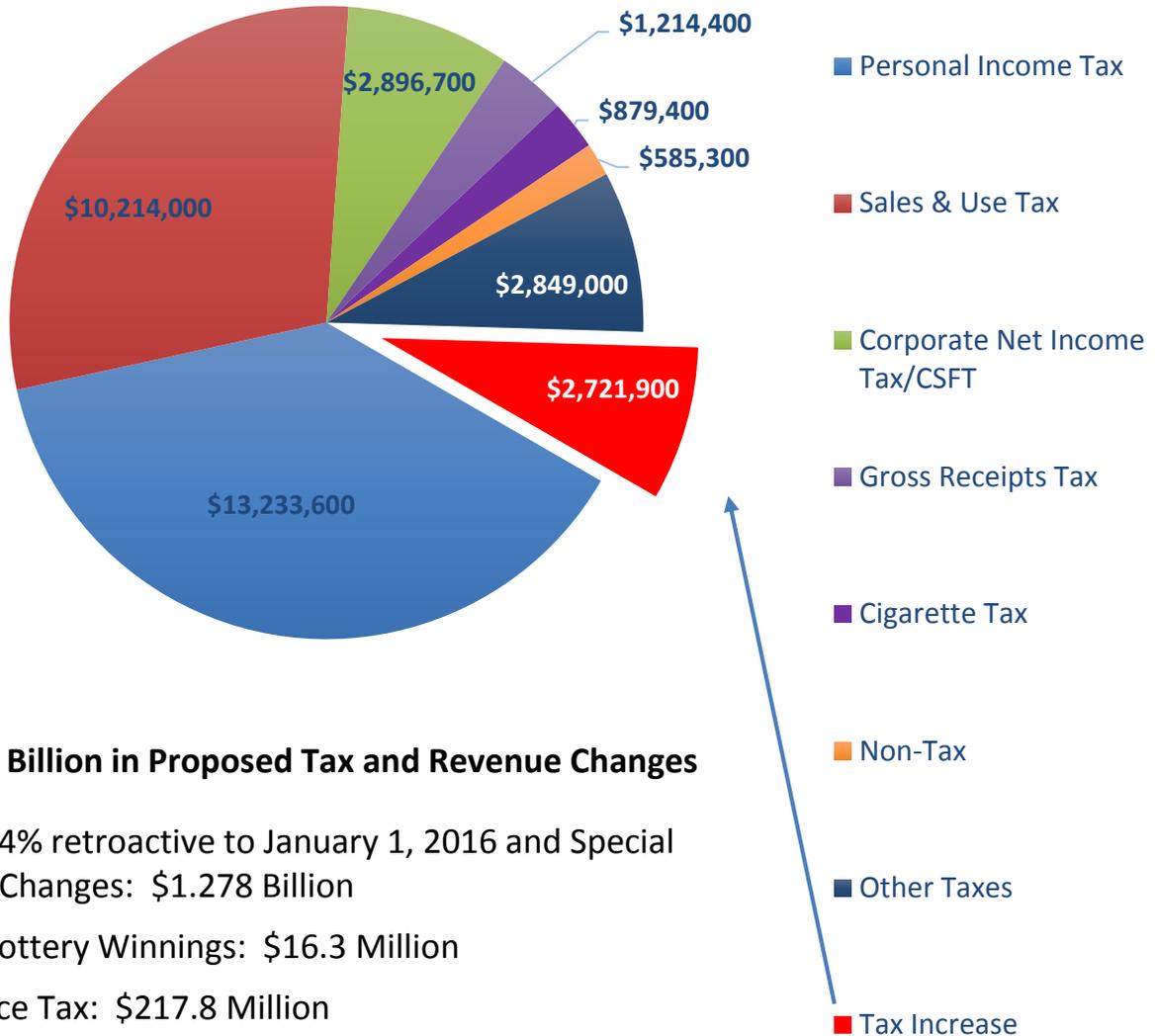
Additionally, the Governor also maintains that his proposal eliminates the structural deficit and puts the Commonwealth of firm fiscal footing going forward. It must be pointed out, however, that these assertions assume the enactment of significant tax increases to offset the aggressive spending proposal. The combination of the Governor's spending and tax proposals will place heavy burdens on small business and individuals.

Finally, with regard to the current fiscal year, the Governor proposes to bring the enacted budget (H.B. 1460 as reduced by blue-lines) back to a "framework" equivalent by proposing \$7.4 billion in supplemental and non-preferred appropriations. The bulk of these supplementals restore funding for state correctional institutions, basic education funding and medical assistance capitation, which were reduced to half-year funding by the Governor's line-item veto. The proposed supplemental appropriations, however, do not include restorations for legislative priorities or for General Assembly operating lines. The Governor's budget does not assume the PlanCon refinancing proposal that is being considered and adds nearly \$300 million to FY 2015-16 and FY 2016-17 for school district construction reimbursements.

The weeks and months ahead will be uniquely challenging as the General Assembly faces the difficult challenge of negotiating and closing two budgets. In addition, we can anticipate concerns to emerge regarding the spending and revenue proposals which will have the potential to dramatically re-shape the eventual enacted budget.

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## \$34.6 Billion of General Fund Revenue before \$1.3 Billion of Tax Refunds \*



### \$2.7 Billion in Proposed Tax and Revenue Changes

PIT to 3.4% retroactive to January 1, 2016 and Special Poverty Changes: \$1.278 Billion

Tax on Lottery Winnings: \$16.3 Million

Severance Tax: \$217.8 Million

Sales and Use Tax Base Expansion: \$414.6 Million

Bank Shares Tax: \$39.2 Million

Insurance Premiums Tax: \$100.9 Million

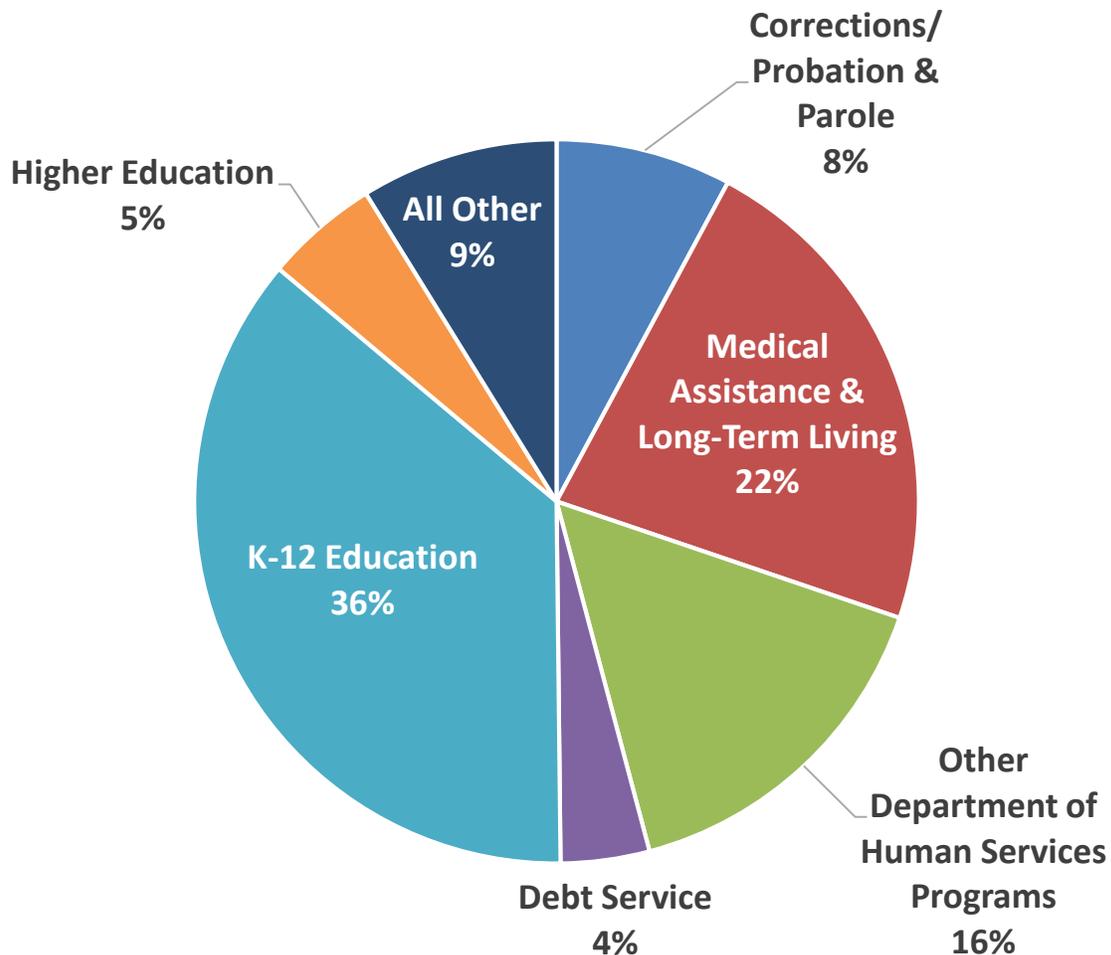
Cigarette Tax: \$468.1 Million

Other Tobacco Products Tax: \$136 Million

\* Includes \$560 million of Personal Income Tax revenue the Governor proposes to redirect to a dedicated account for school district pension costs.

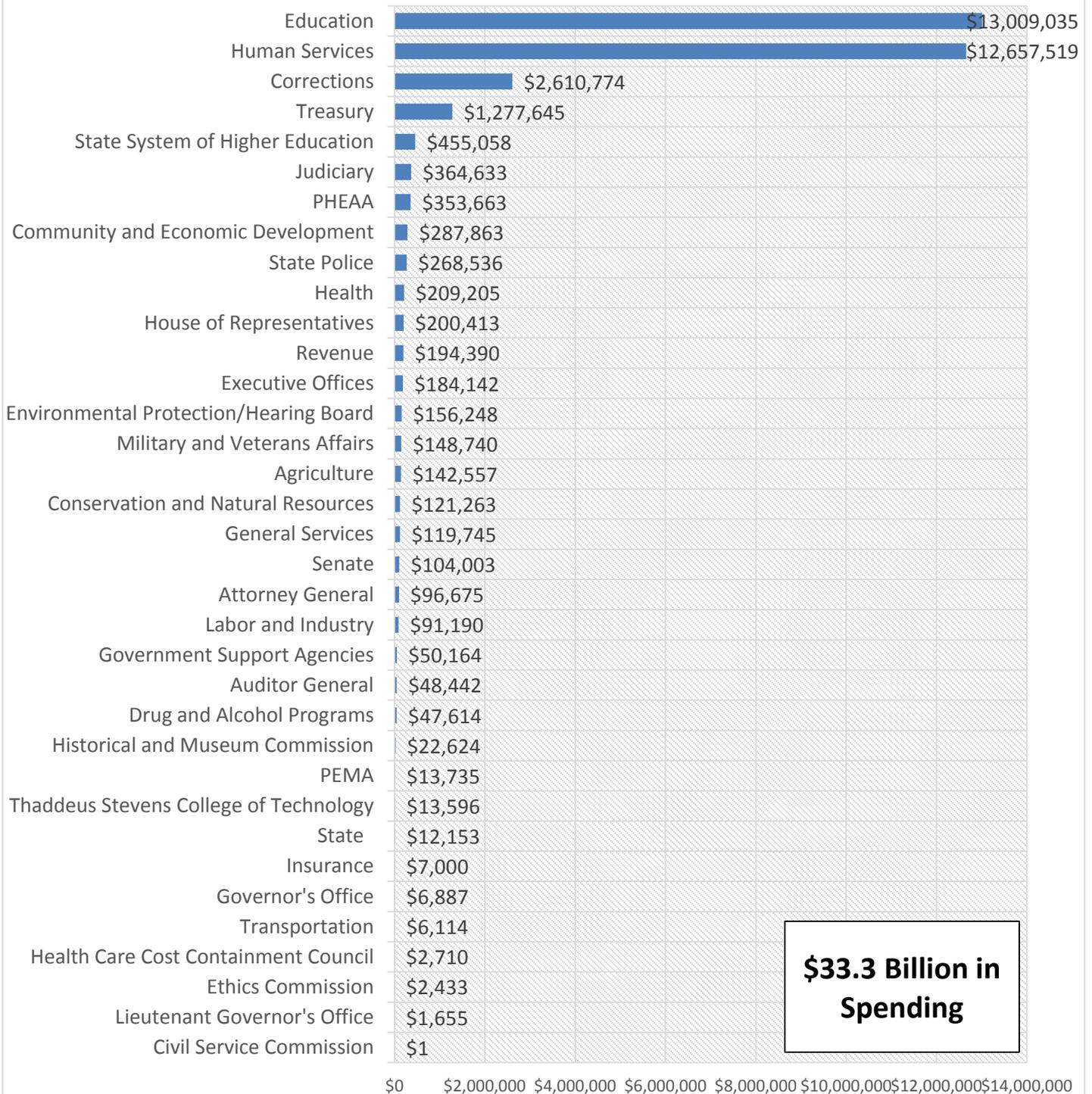
# GOVERNOR'S BUDGET FOR 2016-17

## \$33.3 Billion of General Fund Spending



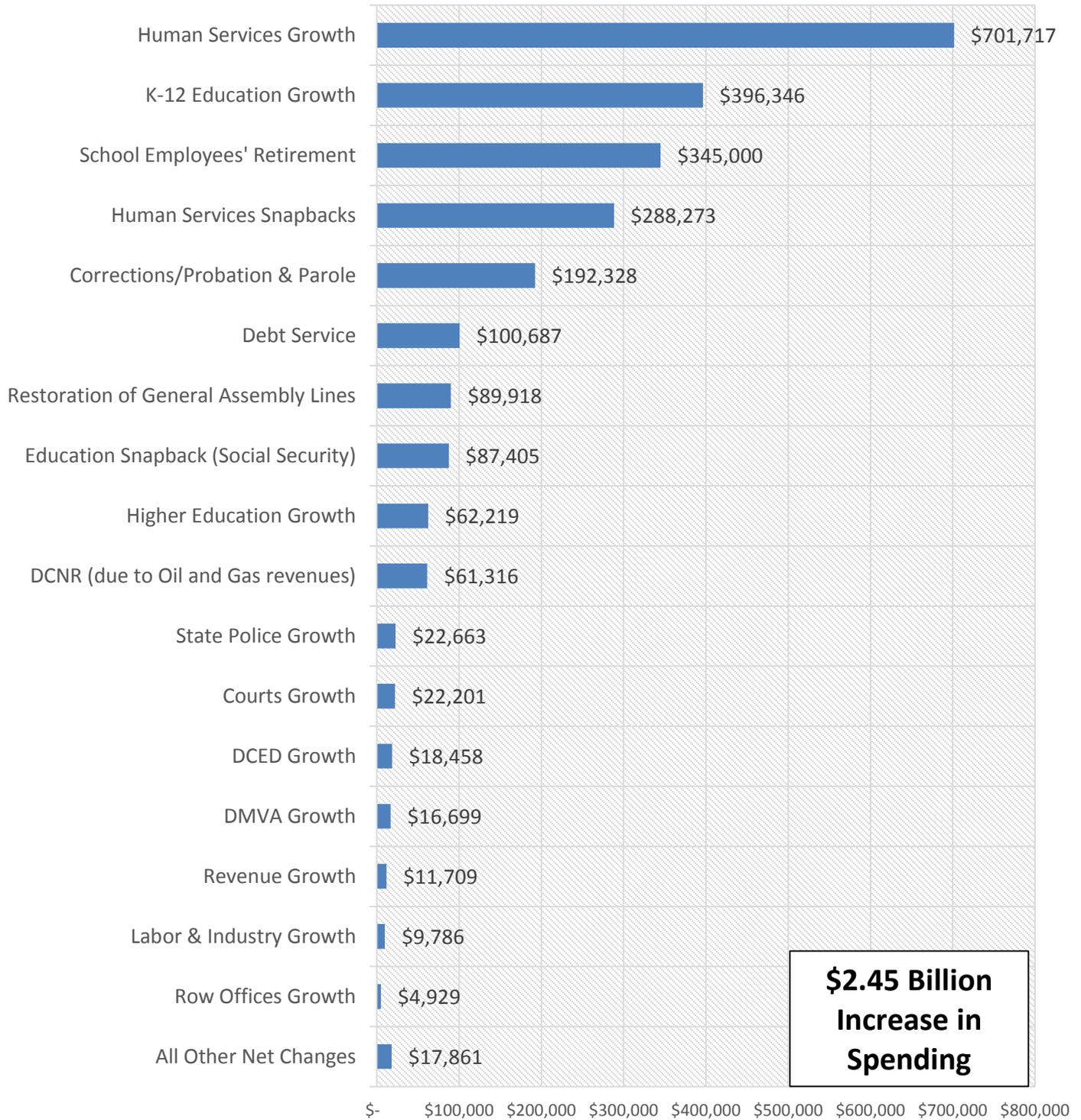
# GOVERNOR'S BUDGET FOR 2016-17

## General Fund Spending by Department *amounts in thousands*



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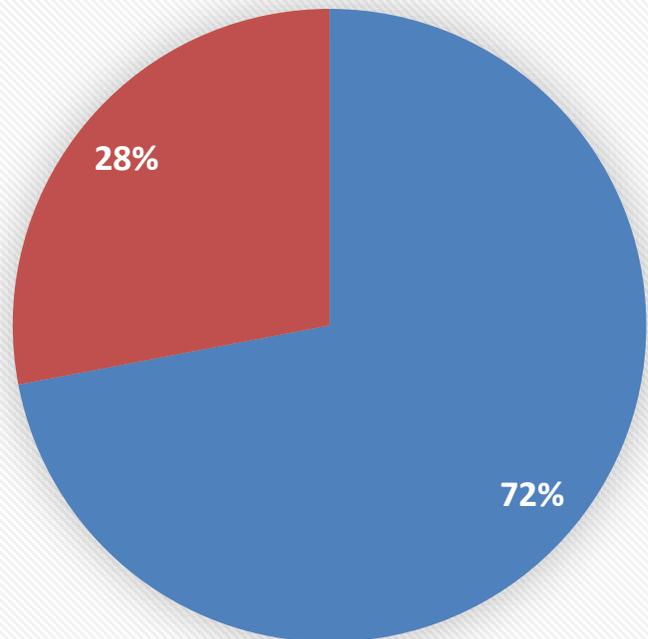
**Changes in General Fund Spending**  
**FY 2015-16 vs. FY 2016-17**  
*amounts in thousands*



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## The 15 Largest General Fund Appropriations Comprise 72% of General Fund Spending

- Basic Education: \$6.3 Billion
- Capitation: \$4.1 Billion
- State Correctional Institutions: \$2.1 Billion
- School Employees' Retirement: \$2.1 Billion
- Intellectual Disabilities Waiver: \$1.3 Billion
- Treasury Debt Service: \$1.2 Billion
- County Child Welfare: \$1.1 Billion
- Special Education: \$1.1 Billion
- Long-Term Care: \$1.1 Billion
- Mental Health Services: \$0.8 Billion
- Federal Government - Part D: \$0.6 Billion
- Pupil Transportation: \$0.6 Billion
- School Employees' Social Security: \$0.5 Billion
- Fee for Service: \$0.5 Billion
- State System of Higher Education: \$0.5 Billion



■ 15 Largest      ■ Remainder (approximately 350)

### Smallest Appropriation

The Civil Service Commission receives the smallest General Fund appropriation for \$1,000. The Commission receives the majority of its funding, about \$15 million, from billings to agencies that use its services.

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## Cost Drivers and K-12 Education

	FY 2014-15	FY 2015-16		FY 2016-17
	Actual	HB 1460	Governor's Revised	Governor's Budget
Corrections/Probation & Parole	\$ 2,289,576	\$ 2,400,321	\$ 2,418,446	\$ 2,610,774
Debt Service	1,174,255	1,216,312	1,216,312	1,316,999
School Employees' Retirement	1,157,853	1,725,000	1,719,000	2,064,000
Human Services	11,362,257	11,609,082	11,667,529	12,657,519
K-12 Education (excluding PSERS)	9,129,524	8,967,578	9,529,352	10,013,103
All Other	4,039,298	4,344,943	4,288,271	4,626,030
	\$ 29,152,763	\$ 30,263,236	\$ 30,838,910	\$ 33,288,425

## Average Employee Cost in FY 2016-17

Average Employee Salary (July 2014)	\$ 52,655
<b>Benefits</b>	
Health Insurance (employee & retiree portion) - \$873/pay period	\$ 22,698
Social Security & Medicare (7.65%)	4,028
Pension (29.95%)	15,770
Other (Life insurance, worker's compensation and leave payout)	2,013
<b>Subtotal - Benefits</b>	<b>\$ 44,509</b>
<b>Total - Salary and Benefits for the Average Employee</b>	<b>\$ 97,164</b>
<b>Benefits as a percentage of salary (on average)</b>	<b>85%</b>

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## Authorized Salaried Complement Levels by Agency Full-Time Equivalent

The data below represents the number of positions agencies are permitted to have across all of their sources of funding. The filled General Fund staffing data our committee regularly provides is a subset of this data.

	2015-16 Available	2016-17 Budget	Difference Budget vs. Available
Governor's Office	68	68	
Executive Offices	1,737	1,730	(7)
Lieutenant Governor's Office	14	14	
Aging	102	102	
Agriculture	602	602	
Banking and Securities	233	233	
Civil Service Commission	108	108	
Community and Economic Development	307	312	5
Conservation and Natural Resources	1,426	1,427	1
Corrections and Rehabilitation	17,353	17,467	114
Drug and Alcohol Programs	79	79	
Education	532	546	14
Emergency Management Agency	198	198	
Environmental Hearing Board	13	13	
Environmental Protection	2,689	2,691	2
Fish & Boat Commission	432	432	
Game Commission	714	714	
General Services	956	956	
Health	1,328	1,327	(1)
Historical and Museum Commission	206	206	
Human Services	17,174	17,246	72
Infrastructure Investment Authority	28	28	
Insurance	249	249	
Labor and Industry	5,902	5,902	
Liquor Control Board	3,270	3,270	
Military and Veterans Affairs	2,250	2,256	6
Milk Marketing Board	28	25	(3)
Municipal Employees' Retirement	38	38	
Public Utility Commission	503	503	
Revenue	2,046	2,090	44
School Employees' Retirement System	316	316	
State	501	505	4
State Employees' Retirement System	197	197	
State Police	6,564	6,564	
Transportation	11,879	11,879	
<b>Total</b>	<b>80,042</b>	<b>80,293</b>	<b>251</b>

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## REVENUE OUTLOOK & TAX CHANGES

### Revenues

- The Official General Fund Revenue Estimate for FY 2015-16 (current fiscal year) is adjusted upward by \$950 million, from \$30.87 billion to \$31.8 billion before transferring PIT revenue to the proposed restricted account for school district pension costs. This is largely due to the effect of tax increases proposed for FY 2015-16.
- Governor Wolf's budget proposes an 8.7% increase to General Fund revenues for FY 2016-17, which includes \$2.72 billion of proposed tax increases. Base revenues are projected to grow by 2.9% overall, while the \$2.72 billion of proposed revenue changes accounts for the remainder of the noted growth.
- The Governor's budget includes an \$892.6 million tax increase for FY 2015-16 plus a \$2.72 billion tax increase for FY 2016-17. The two-year tax increase totals \$3.6 billion.
- Motor License Fund revenues for FY 2016-17 are expected to increase by \$135.4 million, or 5%, over the current year.
- The Lottery Fund received a \$50 million loan from the General Fund in FY 2015-16 to improve its cash flow. The loan will be repaid by the end of the fiscal year.
- Excluding the impact of the loan in FY 2015-16, Lottery Fund revenues are expected to decrease by \$47.2 million, or 2.7%, for FY 2016-17.
- The Lottery Fund's \$75 million reserve is spent down to zero in FY 2016-17.
- A transfer of \$100 million from the State Stores Fund to the General Fund is anticipated in FY 2016-17, which is identical to the current fiscal year transfer.
- General Fund non-tax revenues include \$100 million for enhanced LCB proceeds resulting from modernization efforts.

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## Proposed Tax and Revenue Modifications

### SUMMARY OF PROPOSED TAX CHANGES (thousands \$)

<u>Tax Change</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Two-Year Total</u>
Personal Income Tax <sup>1</sup>	\$587,600	\$1,294,400	\$1,882,000
Sales and Use Tax	\$38,300	\$414,600	\$452,900
Cigarette Tax	\$116,000	\$468,100	\$584,100
Other Tobacco Products and E-Cigarettes Tax	\$10,000	\$136,000	\$146,000
Severance Tax	-	\$217,800	\$217,800
Insurance Premiums Tax	\$81,500	\$100,900	\$182,400
Bank Shares Tax	\$39,300	\$39,200	\$78,500
Tax on Gaming Promotional Play	\$19,900	\$50,900	\$70,800
<b>Total:</b>	<b>\$892,600</b>	<b>\$2,721,900</b>	<b>\$3,614,500</b>

<sup>1</sup> PIT increase of \$1.294 billion for FY 2016-17 is composed of \$1.36 billion increase from rate change, \$16.3 million increase for taxable Lottery winnings and a reduction of \$83.4 million related to tax forgiveness expansion.

- Personal Income Tax – Increases the Personal Income Tax (PIT) rate by 10.7% from 3.07% to 3.4%, retroactive to January 1, 2016. Expands the PIT tax forgiveness program (i.e. special poverty provisions) so that a qualifying family of four will owe no tax on taxable income up to \$36,400. Under current law, a qualifying family of four with taxable income up to \$32,000 owes no PIT under the program. Imposes the PIT on PA lottery winnings.
  - PIT increase generates \$587.6 million in FY 2015-16.
  - Generates \$1.29 billion in FY 2016-17.
  - Retroactivity will require a withholding rate higher than 3.4% for the remainder of 2016.
  - \$280.3 million and \$560.6 million in FY 2015-16 and FY 2016-17, respectively, of the PIT will be transferred to a PSERS restricted account.
- Sales and Use Tax – Effective April 1, 2016, the existing 6% sales and use tax (SUT) is expanded to include newly taxed goods and services, and the vendor discount is capped.
  - Newly taxed goods and services:
    - Basic cable television (including satellite TV)
    - Movie theater tickets
    - Digital downloads
  - Vendor discount is capped at \$300 per year.

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- Cigarette Tax – An increase in the cigarette tax equivalent to \$1.00 per pack of 20 cigarettes is proposed to take effect April 1, 2016.
- Tobacco Products Tax – A new tax on other tobacco products, including smokeless tobacco, large cigars and loose tobacco is proposed to take effect May 1, 2016. The tax rate would be equal to 40% of the wholesale price.
- Electronic Cigarettes Tax – A new tax on electronic cigarettes (e-cigarettes) is proposed. The tax rate would be equal to 40% of the wholesale price and would be effective May 1, 2016.
- Severance Tax – A new tax on the severance of natural gas within the commonwealth is proposed to take effect July 1, 2016.
  - The rate is 6.5% of the value of the natural gas.
  - The amount paid in Act 13 impact fees is allowable as a credit against the severance tax.
- Insurance Premiums Tax – Effective January 1, 2016, adds a surcharge of 0.5% to fire, property, and casualty insurance. Beginning in FY 2016-17, \$10 million will be transferred to a restricted account to provide assistance to volunteer fire companies.
- Bank Shares Tax – Increases the bank shares tax (BST) rate from 0.89% to 0.99%, retroactive to January 1, 2016. In addition, other clarifications related to Act 52 of 2013 are proposed.
- Gaming Promotional Plays Tax – Imposes a new 8% tax on promotional plays at Pennsylvania casinos. Currently, the value of free promotional play credits is not included in calculating gross revenue subject to tax.

## *Non-Tax Revenue and Transfers:*

- Enhanced PLCB Proceeds – \$100 million For FY 2016-17 is proposed.
- Transfer to School Employees' Retirement Restricted Account – A transfer of \$280.3 million in FY 2015-16 and \$560.6 million in FY 2016-17 from the General Fund to a newly established restricted account is proposed.
- Transfer from the Dormitory Sprinkler System Account – For FY 2015-16, a return to the General Fund of approximately \$4.5 million not needed for sprinkler project debt service is proposed.
- Transfer of Slots License Fee – For FY 2015-16, the \$50 million licensing fee from a new Category 2 casino is proposed to be deposited in the General Fund.

## **AGING**

- No state General Fund dollars are requested for the Department of Aging. Programs under the Department of Aging are funded primarily using Lottery Funds.
- The budget provides \$3.6 million in increased funding to the PENNCARE appropriation to maintain the current programs and annualize the FY 2015-16 expansion.
- The budget provides an additional \$2.5 million for attendant care services to 312 seniors aging out of DPW's Attendant Care Waiver.

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- The budget provides an additional \$1.3 million to update the financial reporting system to better manage allocations of funds to local Area Agencies on Aging.
- The budget provides \$30 million in increased funding to the Pharmaceutical Assistance Fund to support the PACE program.
- The budget maintains the \$2 million in Lottery funds at the FY 2015-16 funding level for grants to senior centers.

## AGRICULTURE

- Provides \$36 million for the department's **General Government Operations**, an increase of \$7.6 million, or 26.7%.
- The growth in the department's General Government Operations appropriation is driven in part by two new initiatives:
  - \$2 million to provide for information technology and mobile communication enhancements and
  - \$3.5 million to combat Avian Influenza.
- Provides \$30.7 million in funding from the Race Horse Development Fund for various programs: the **Animal Health and Diagnostic Commission** (\$5.4 million), **Pennsylvania Fairs** (\$4 million), the **Pennsylvania Veterinary Lab** (\$5.3 million), the **Racing Fund** (\$11 million) and the **Transfer to the Farm Products Show Fund** (\$5 million).
- Provides an executive authorization of \$12.6 million from the **Farm Products Show Fund for Farm Show Operations**, an increase of \$788,000, or 6.6%. This amount includes the \$5 million from Transfer to the Farm Products Show Fund mentioned above.
- Includes \$2.7 million for the **Transfer to the Nutrient Management**, which is level with the FY 2015-16 amount.
- Provides \$869,000 for the **Transfer to the Conservation District Fund**, which is level with the FY 2015-16 amount.
- Provides \$20.4 million for the **State Food Purchase Program**, a \$2 million, or 10.8% increase.
- Provides \$2.1 million for **Farmers' Market Food Coupons**, which is level with the FY 2015-16 amount.
- Maintains funding for the **"PA Preferred" Program** at \$550,000, the same amount as the current year.
- Maintains funding for the **Food Marketing and Research** program at \$494,000, which is level with the FY 2015-16 amount.

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- Provides \$51 million for the **Transfer to the Agricultural College Land Scrip Fund**, an increase of \$2.4 million or 5%. This transfer supports Penn State's Agricultural Research and Extension Services.
- Proposes \$28 million for the **University of Pennsylvania's – Veterinary Activities**. Includes \$261,000 for the university's **Center for Infectious Diseases**. Both appropriations are level with FY 2015-16.
- Makes \$32 million available for farmland preservation through the **Agricultural Conservation Easement Purchase Fund**, an increase of \$2 million, or 6.7%.
- Makes \$10 million in funds available for the **Resource Enhancement and Protection Tax Credit (REAP)**, the same amount as the current year.
- Funding for the following programs historically supported by the General Assembly has not been proposed:
  - **Agricultural Excellence**
  - **Agricultural Research**
  - **Agricultural, Promotion, Education and Exports**
  - **Hardwoods Research and Promotion**
  - **Livestock Show** and
  - **Open Dairy Show**.

## COMMUNITY & ECONOMIC DEVELOPMENT

Total funding for the Department of Community and Economic Development is proposed to increase from \$269.4 million in FY 2015-16 to \$287.9 million in FY 2016-17, or 6.9%. This comparison includes the effect of \$60.9 million in FY 2015-16 supplemental appropriations contained in the Governor's Budget request.

The comparisons below reflect the effect of including FY 2015-16 supplemental appropriations contained in the Governor's Budget request unless noted otherwise.

### PA Job Creation, Business Growth and Attraction

- General Government Operations – GGO is increased by \$752,000 or 5%. \$300,000 of this amount is directed to an initiative to provide tax collector training and certification.
- Marketing to Attract Business – The appropriation is increased by \$65,000 from \$2,949,000 to \$3,014,000.
- Commonwealth Financing Authority – Increases the funding transfer to the CFA by \$6.8 million to provide debt service for economic development bonds.

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- Pennsylvania First – The appropriation is increased by \$11 million, or 32.4%, from \$34 million to \$45 million. The increase is part of the Jobs that Pay initiative.
- Infrastructure and Facilities Improvement Grants – The appropriation is level-funded at \$30 million.
- Industrial Resource Centers – IRC funding is increased from \$11 million to \$12 million, or 9.1%, as part of the new Jobs that Pay initiative.
- Partnerships for Regional Economic Performance (PREP) – PREP is level-funded at \$9,880,000. However, the Industrial Resource Centers are being removed from the PREP program to be funded separately. In recent years when PREP included the IRCs, funding was set at \$11,880,000.
- Infrastructure Technology Assistance Program – The \$1.75 million program is proposed to be eliminated. The comparison for this line item is made against HB 1460, which funded this program.

**International Business Development**

- Office of International Business Development (formerly World Trade PA) – The program's appropriation is increased by \$117,000, or 1.7%. The program is designed to expand promotion of PA exports in key international markets and to attract foreign investment.
- Economic Growth and Development Assistance – Funds a proposed second year of a new \$6.4 million program for international development at the Pittsburgh Airport.

**PA Innovation Economy**

- Public Television Technology – The appropriation is increased by \$400,000, from \$3.6 million to \$4 million, which is an 11.1% increase.
- Supercomputer Center – The \$500,000 program is eliminated. The comparison for this line item is made against HB 1460, which funded this program.
- Powdered Metals – The \$100,000 program is proposed to be eliminated. The comparison for this line item is made against HB 1460, which funded this program.

**PA Assets**

- Base Realignment and Closure – Provides \$798,000 in a separate appropriation for this program, an increase of \$14,000 over FY 2015-16.
- Marketing to Attract Tourists – The appropriation is increased by \$27,000, or 0.6%.
- Tourism – Accredited Zoos – The \$550,000 program is eliminated. The comparison for this line item is made against HB 1460, which funded this program.

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- Regional Event Security – Level funds the appropriation at \$10 million. It is believed that this funding is intended for the Democratic National Convention in Philadelphia for a total of \$15 million when combined with the proposed DNC allocation in the FY 2015-16 appropriation.

## PA Core Communities

- Center for Local Government Services – A decrease of \$4.2 million, or -50.1%, is proposed for the center. \$4.5 million is transferred to the Department of General Services specifically for the City of Harrisburg.
- Municipalities Financial Recovery Revolving Fund – The transfer to the fund is increased from \$3 million to \$4 million based on estimates to continue the current program.
- Keystone Communities – The program is proposed to be level-funded at \$15 million for FY 2016-17.
- Early Intervention for Distressed Municipalities – Funding for the program is proposed to be increased from \$1.785 million to \$2.785 million, or 56%.
- Rural Leadership Training – The \$100,000 program is eliminated. The comparison for this line item is made against HB 1460, which funded this program.

## Economic Development Initiative

- Business in Our Sites – Proposes to reallocate \$125 million in existing Commonwealth Financing Authority resources to recapitalize Business in Our Sites as follows:
  - \$50 million from the First Industries Fund
  - \$24.5 million from the High Performance Building Program
  - \$50.5 million from Building PA

## **CONSERVATION & NATURAL RESOURCES**

The FY 2016-17 budget proposes significant increases in several of the department's General Fund operating appropriations. These increases are the result of declining Oil and Gas Lease Fund revenue. This loss of revenue and the shift of spending to the General Fund stem from falling natural gas prices and the related impact on the Commonwealth's royalty revenues. The Governor's proposed FY 2016-17 budget includes increased landfill disposal tipping fees to be deposited into the Oil & Gas Lease Fund. The increased tipping fee revenue will ultimately be directed to the Environmental Stewardship Fund.

- General Government Operations is funded at \$19.6 million, a 58.8% increase from the current year. This appropriation provides a shift of \$6.5 million in current operating costs from the Oil and Gas Lease Fund.
- The General Fund appropriation for State Parks Operations is funded at \$62.5 million, a \$29.2 million increase from the current year. The State Parks Operations appropriation provides a \$21.2 million shift from the Oil and Gas Lease Fund.

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- The General Fund appropriation for State Parks Operations includes \$2.5 million for a Jobs That Pay – Pennsylvania Conservation Corps initiative to provide funds for conservation and recreation related youth employment opportunities.
- The General Fund appropriation for State Forests Operations is funded at \$36.1 million, a \$24.9 million increase from the current year. This appropriation includes a shift of \$23.3 million in current operating costs from the Oil and Gas Lease Fund.

## **Motor License Fund**

- Funding for Dirt and Gravel Roads is level-funded at \$7 million as a result of the enactment of the Transportation Funding legislation.

## **Environmental Stewardship Fund**

- Parks & Forest Facility Rehabilitation decreases by \$384,000, from \$13.2 million to \$12.8 million.
- Community Conservation Grants are level-funded at \$4.2 million.
- Natural Diversity Conservation Grants are level-funded at \$366,000.

## **Keystone Recreation, Park and Conservation Fund**

- Revenue from the 15% transfer of Realty Transfer Tax receipts to the Keystone Fund is expected to increase from \$84.9 million in the current year to \$93.5 million in FY 2016-17. This \$8.6 million increase in estimated revenue allows a 24% increase for each of the following DCNR programs:
  - Park & Forest Facility Rehabilitation increases \$6.9 million to \$28.6 million.
  - Grants for Local Recreation increases \$5.7 million, from \$18.1 million to \$23.8 million.
  - Grants for Land Trusts increases \$2.3 million to \$9.5 million.

## **CORRECTIONS AND REHABILITATION**

The Governor proposes to merge the Board of Probation and Parole with the Department of Corrections, forming a newly created Department of Corrections and Rehabilitation. The Governor anticipates the merger to be completed by the end of the 2015-16 fiscal year. The Governor's Budget Office projects \$10 million in savings in FY 2016-17.

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Total state funding for the Department of Corrections and Rehabilitation is proposed at \$2.6 billion. This funding includes an appropriation in the amount of \$47.9 million for General Government Operations, which includes \$1.2 million cost savings realized through the elimination of duplicative services created by the above mentioned merger. The Governor also requests a \$1.5 million supplemental appropriation for the current year.

**Corrections**

Total state funding for the Corrections-related area of the Department is proposed at \$2.4 billion, an increase of \$189.8 million (8.4%). This increase includes a \$956 million supplemental appropriation request for the current year that is needed to support the operations of the State Correctional Institutions, the Motivational Boot Camp and the Community Corrections Centers. The supplemental appropriation is necessary because Governor Wolf unexplainably vetoed 50% of SCI funding contained in House Bill 1460.

This proposed funding includes the following appropriations:

- Medical Care for inmates at \$272.6 million, an increase of \$14.1 million (5.4%). This increase includes the following initiatives:
  - \$3 million for enhanced treatment for inmates with serious mental illness; and
  - \$2.3 million for the creation of a dementia unit at SCI- Waymart.
- Inmate Education and Training at \$45.4 million, an increase of \$2.9 million (6.8%).
- State Correctional Institutions are funded at \$2.1 billion, an increase of \$153.9 million (8%). This funding includes the following:
  - A \$5.1 million initiative for enhanced treatment for inmates with serious mental illness;
  - A \$5 million cost savings realized through the elimination of duplicative services created by the above mentioned merger; and
  - A \$4.1 million cost savings realized through operational and process changes that will result in a population reduction.

The Governor also proposes a transfer of \$9.2 million, an increase of \$6.2 million, to the Justice Reinvestment Fund, as required by the provisions contained in Act 196-2012.

**Rehabilitation**

Total state funding for the Probation and Parole/Rehabilitation related area of the Department is proposed at \$169.8 million, an increase of \$2.5 million (1.5%).

This proposed funding includes the following appropriations:

- A new appropriation for State Field Supervision, for expenses related to the operation of state parole supervision, in the amount of \$129.1 million (formerly funded from the Probation and Parole GGO).
- An appropriation for the Board of Probation and Parole, for expenses related to the operation of the Board, which will maintain its independence, in the amount of \$12.7 million.

# GOVERNOR'S BUDGET FOR 2016-17

- An appropriation for the Sexual Offenders Assessment Board, for expenses related to the operation of the Board, which will also maintain its independence, in the amount of \$6.3 million, an increase of \$501,000 (8.6%).
- A new appropriation, to maintain the operations of the Office of Victim Advocate, in the amount of \$2.2 million.
- Improvement of Adult Probation Services at \$19.5 million, an increase of \$3.3 million (20.3%) for grants to counties to support county adult probation personnel costs.

## DRUG AND ALCOHOL PROGRAMS

- The budget provides for a net decrease of \$487,000, or -26.1%, for the General Government Operations to continue the current program (\$263,000 increase) and the elimination of a legislative initiative for PTSD for veterans (\$750,000 decrease).
- The budget maintains the Assistance to Drug and Alcohol appropriation at FY 2015-16 funding level of \$46.2 million.

These programs were previously funded under the Department of Health in FY 2011-12.

## EDUCATION-BASIC EDUCATION

- The Administration proposes a \$3.3 billion supplemental appropriation to Basic Education Funding in FY 2015-16 to restore the Governor's line item veto and increase funding to the level in the preliminary budget framework. The Governor's revised FY 2015-16 BEF Appropriation represents a \$377 million increase over FY 2014-15.
- Proposes \$6.3 billion for **Basic Education Funding** and the **Ready to Learn Block Grant** in a single, consolidated appropriation. The **Basic Education Funding** allocation is \$6.057 billion, an increase of \$200 million, or 3.4%. Funds are to be distributed using the formula developed by the Basic Education Funding Commission. The **Ready to Learn Block Grant** allocation is proposed at \$250 million, which is level with the amounts enacted in HB 1460.
- Includes \$197.3 million for **Pre-K Counts**, a \$50 million, or 33.9%, increase and \$59.2 million for **Head Start Supplemental Assistance**, an increase of \$10 million, or 20.3%.
- Provides \$26.5 million for the Department of Education's **General Government Operations**, an increase of \$2.4 million, or 10%.
- Included in the increase in the department's **General Government Operations** appropriation is funding for two new initiatives:

# GOVERNOR'S BUDGET FOR 2016-17

- \$296,000 to provide direct assistance to schools identified as persistently low-achieving to assist with improving student performance and
- \$251,000 to provide resources to monitor school districts to determine if they should be placed in financial watch status.
- Provides \$563 million for **Pupil Transportation**, an increase of \$13.9 million, or 2.5%.
- Pupil Transportation includes \$80.2 million for **Nonpublic and Charter School Pupil Transportation**, an increase of \$215,000, or 0.3%.
- The Administration does not assume the refinancing proposal for the **Authority Rentals and Sinking Fund Requirements program (Plan Con)** that is under consideration and recommends \$281.9 million in FY 2015-16 and \$306.2 million in FY 2016-17 for school construction reimbursements.
- Provides \$536.1 million for **School Employees' Social Security**. Last year's budget shifted this program to an after-the-fact reimbursement basis with a two-month delay, reducing costs on a one-time basis by \$87.4 million. After adjusting for the one-time effect, **Social Security** costs increase by \$11.7 million, or 2.2%.
- Provides \$2.064 billion for **School Employees' Retirement**, an increase of \$345 million, or 20.1%. The proposed funding level represents an increase in the PSERS employer contribution rate from 25.84% to 29.69%.
- The Governor's budget includes a proposal to redirect \$47 million of revenue each month from the General Fund to a dedicated account that would pay a portion of School Employees' Retirement costs. If approved, this proposal would reduce General Fund costs for **School Employees' Retirement** by \$280.3 million in FY 2015-16 and \$560.6 million in FY 2016-17.
- Provides \$85 million for **Career and Technical Education**, an increase of \$15 million, or 21.4%.
- Provides \$94.7 million for **Services to Nonpublic Schools**, an increase of \$3 million, or 3.3%.
- Services to Nonpublic Schools includes \$28.8 million for **Textbooks, Materials and Equipment for Nonpublic Schools**, an increase of \$913,000, or 3.3%.
- Makes \$100 million in tax credits available under the **Educational Improvement Tax Credit (EITC)**, the same amount as the current year.
- Makes \$50 million in tax credits available under the **Educational Opportunity Scholarship Tax Credit (EOSTC)**, the same amount as the current year.

## EDUCATION-LIBRARIES

- Provides \$2.1 million for the **State Library**, an increase of \$205,000, or 10.6%.
- Includes \$55.6 million for the **Public Library Subsidy**, an increase of \$1.2 million, or 2.2%.

# GOVERNOR'S BUDGET FOR 2016-17

- Provides \$3.8 million from the **Keystone Recreation, Park and Conservation Fund for Local Libraries Rehabilitation and Development**, an increase of \$913,000 or 31.5%.
- Provides \$2.7 million for **Library Services for the Visually Impaired and Disabled**, an increase of \$103,000, or 4%.
- Provides \$3.1 million for **Library Access**, level with this year's budget.

## **EDUCATION-SPECIAL EDUCATION**

- Proposes \$1.147 billion for **Special Education Funding**, an increase of \$50 million, or 4.6%. The funds are to be distributed based on the formula developed by the Special Education Funding Commission.
- Includes \$237.5 million for **Early Intervention Services**, which is level with this year's budget.
- Includes \$108 million for the **Approved Private Schools (APS)**, an increase of \$6.1 million, or 6%.
- Includes \$47.6 million for the **Charter Schools for the Deaf and Blind**, an increase of \$2.7 million, or 6%.

## **EMERGENCY MANAGEMENT**

- The General Government Operations appropriation is funded at \$11.2 million, a 6.7%, increase from the current year.
- The State Fire Commissioner appropriation is increased by \$166,000 to \$2.4 million.
- Funding for the Red Cross Extended Care program is level-funded at \$150,000 for FY 2016-17.

## **ENVIRONMENTAL PROTECTION**

- The General Fund appropriations were increased for General Government Operations by \$2.7 million (19.9%), Environmental Program Management \$1.6 million (5.3%), and Environmental Protection Operations \$2.9 million (3.2%) to continue their current programs.
- General Government Operations includes funding for a \$2 million Information Technology Investments initiative to fund eFACTS replacements and enhance mobility capacity.
- Funding for West Nile Virus Control was increased by \$73,000, or 1.9%.
- The General Fund transfer to the Conservation District Fund is maintained at the current year level of \$2.5 million.

# GOVERNOR'S BUDGET FOR 2016-17

- The appropriation for the Delaware River Basin Commission is level-funded at \$750,000, when including the Governor's proposed \$316,000 supplemental appropriation.
- The Environmental Hearing Board appropriation is \$2.5 million, a 5.3% increase.

## Environmental Stewardship Fund

- Funding for Watershed Protection is \$27 million (DEP).
- Funding for Abandoned Mine Reclamation and Remediation is eliminated in FY 2016-17 (DEP).
- Debt Service for the Growing Greener II bond is funded at \$36.3 million (Treasury).
- The Agricultural Conservation Easement Program is funded at \$10.7 million (Agriculture).
- The Infrastructure Investment Authority (PENNVEST)'s Stormwater, Water, and Sewer Grants program is funded at \$17.1 million.

## Hazardous Sites Cleanup Fund

- Act 13 of 2012 authorizes an annual transfer from the Marcellus Legacy Fund to the Hazardous Sites Cleanup Fund. The transfer amount for FY 2016-17 is \$18.4 million.
- The transfer of CSFT revenue declines from \$40 million to \$4.1 million due to the phase out of that tax effective January 1, 2016. The Governor's budget does not identify a replacement revenue source and appears to rely on fund balances in FY 2016-17.

## EXECUTIVE OFFICES

- Provides \$6.9 million for the **Governor's Office**, an increase of \$384,000, or 5.9%.
- Provides \$987,000 for the **Lieutenant Governor's Office**, an increase of \$7,000, or 0.7%.
- Includes \$668,000 for the **Board of Pardons**, an increase of \$25,000, or 3.9%.
- Provides \$19.1 million for the **Office of the Budget**, an increase of \$411,000, or 2.2%.
- Includes \$9.2 million for the **Office of Administration**, an increase of \$589,000, or 6.8%.
- Provides \$3.7 million for the **Office of General Counsel**, an increase of \$478,000, or 14.8%.
- Provides \$4.4 million for the **Office of Inspector General**, an increase of \$377,000, or 9.4%. Includes \$13 million for the **Office of Inspector General – Welfare Fraud**, an increase of \$421,000, or 3.4%.
- Includes \$61.4 million for **Commonwealth Technology Services**, an increase of \$1.6 million, or 2.7%.
- Provides \$10.1 million for the **Human Relations Commission**, an increase of \$498,000, or 5.2%.

# GOVERNOR'S BUDGET FOR 2016-17

- Proposes \$903,000 for the **Council on the Arts**, an increase of \$11,000, or 1.2%. Includes \$10.6 million for **Grants to the Arts**, an increase of \$1 million, or 10.4%.
- Provides \$3.1 million for the **Juvenile Court Judges Commission**, an increase of \$96,000, or 3.2%.
- Includes \$4.1 million for the **Pennsylvania Commission on Crime and Delinquency (PCCD)**, an increase of \$131,000, or 3.3%.
- Include \$1.3 million for **Victims of Juvenile Offenders**, which is level with last year's budget.
- Provides \$3.9 million for **Violence Prevention Programs**, level with the FY 2015-16 funding amount.
- Includes \$20.2 million for **Intermediate Punishment Treatment Programs**, an increase of \$2 million, or 11%.
- Includes \$18.9 million for **Juvenile Probation Services**, which is level with last year's budget.
- Provides no funding for the **Public Employee Retirement Commission** in FY 2016-17 but does include supplemental funding to run PERC through mid-February of this year, at which point it will cease operations.

## GAMING CONTROL BOARD

### Gaming Operations

The budget recommends the following appropriations totaling \$79.9 million:

- Pennsylvania Gaming Control Board      \$40.7 million (1.7% increase)
- Department of Revenue                      \$9.5 million (level-funded)
- Pennsylvania State Police                    \$28.5 million (2.9% increase)
- Office of Attorney General                  \$1.23 million (3.4% increase)

### State Gaming Fund

Total receipts of \$1.042 billion to the State Gaming Fund are projected for FY 2016-17 from the following sources:

- State Tax Revenue                              \$818.9 million
- Licensee Deposit Accounts                  \$58.8 million

# GOVERNOR'S BUDGET FOR 2016-17

- Local Share Assessment \$158.7 million
- Other \$6.08 million

Disbursements of \$1.044 billion from the State Gaming Fund are projected to be transferred to the following:

- Compulsive and Problem Gambling Fund (incl. Drug & Alcohol) \$7.8 million
- Payment in Lieu of Taxes \$8.9 million
- Volunteer Company Grants \$25 million
- Local Law Enforcement Grants \$2 million
- Local Share Assessment Distribution \$155 million
- Administrative Appropriations (i.e. PGCB, PSP, DOR, OAG) \$79.9 million
- Transfer to Property Tax Relief Fund \$765.3 million

## GENERAL SERVICES

- The Governor proposes to decrease funding for the Department of General Services' **General Government Operations** by \$10.6 million, or 16.6%. The Governor is able to achieve this level of reduction by debt-financing \$13.3 million of Bureau of Public Works staff costs.
- Includes \$12.7 million for **Capitol Police Operations**, an increase of \$448,000, or 3.6%.
- Decreases funding for **Rental and Municipal Charges** related to the operations of state office buildings and related parking garages by \$930,000, or 3.7%.
- Provides \$22.6 million for **Utility Costs**, which is level with this year's budget. Includes payments for water, sewer, electric and heating fuel for Commonwealth-owned buildings.
- Increases funding for **Excess Insurance Coverage** by \$39,000, or 3%.
- Includes \$5 million through a single appropriation to the City of Harrisburg for **Capitol Fire Protection**. This amount is level with this year's budget, which previously funded the City of Harrisburg through two separate appropriations in the departments of General Services and Community and Economic Development.

**GOVERNOR'S BUDGET FOR 2016-17****HEALTH**

- The budget provides an additional \$428,000 in General Government Operations funding to continue the current program.
- The budget provides \$1 million in increased funding for a total of \$21.3 million for the Quality Assurance appropriation.
- The budget provides \$500,000 in increased funding for the State Laboratory appropriation.
- The budget provides \$1.1 million in increased funding for the Vital Statistics appropriation.
- The budget provides \$2.8 million in increased funding for a total of \$26.3 million for the State Health Care Centers appropriation.
- The budget provides \$1 million in increased funding for a total of \$3.2 million Achieving Better Care – MAP Administration (prescription monitoring) for the annualization of the program.
- The Governor maintains the following appropriations at FY 2015-16 funding levels:
  - Health Innovation - \$3 million (which includes a \$2.1 million supplement in FY 2015-16) (originally appropriated as Chronic Care Management)
  - Sexually Transmitted Disease Screening and Treatment - \$1.7 million
  - Primary Health Care Practitioner - \$4.7 million
  - Community-Based Health Care Subsidy - \$6 million
  - Newborn Screening - \$5.2 million
  - Cancer Screening Services - \$2.6 million
  - AIDS Programs and Special Pharmaceutical Services - \$17.4 million
  - School District Health Services - \$36.6 million
  - Local Health Departments - \$25.4 million
  - Local Health – Environmental - \$7 million
  - Tuberculosis Screening and Treatment - \$0.9 million
  - Renal Dialysis - \$7.9 million
  - Cooley's Anemia - \$0.1 million
  - Hemophilia - \$0.9 million
  - Sickle Cell - \$1.2 million
- The Governor has proposed an increase in funding for the following grant appropriations:
  - Maternal and Child Health by \$31,000 to \$981,000
  - Services for Children with Special Needs by \$177,000 to \$1.7 million
- The Governor has proposed a reduction in funding for the following grant appropriations:
  - Adult Cystic Fibrosis reduced by \$100,000 to \$350,000

# GOVERNOR'S BUDGET FOR 2016-17

- The Governor recommends the elimination of the following appropriations:
  - Diabetes Programs
  - Regional Cancer Institutes
  - Lupus
  - Regional Poison Control Centers
  - Trauma Program
  - Epilepsy Support Services
  - Bio-Technology Research
  - Tourette Syndrome
  - Amyotrophic Lateral Sclerosis Support Services

## HIGHER EDUCATION

- Provides \$455.1 million for **PASSHE**, an increase of \$21.7 million, or 5%.
- Provides \$17.2 million from the **Keystone Recreation, Park and Conservation Fund for PASSHE deferred maintenance**, an increase of \$4.1 million, or 31.5%.
- Includes funding for the **State-Related Universities** as follows:
  - Penn State University – \$236.1 million, an increase of \$11.2 million, or 5%.
  - Penn College of Technology – \$20.6 million, an increase of \$979,000, or 5%.
  - University of Pittsburgh – \$150.4 million, an increase of \$7.2 million, or 5%.
  - Temple University – \$154.3 million, an increase of \$7.3 million, or 5%.
  - Lincoln University – \$14.8 million, an increase of \$704,000, or 5%.
- Provides \$237.8 million for **Community Colleges**, an increase of \$11.3 million, or 5%.
- Provide \$48.9 million for the **Transfer to the Community College Capital Fund**, which is level with this year's budget.
- Includes \$2.4 million for **Community Education Councils**, an increase of \$50,000, or 2.2%.
- Includes \$13.6 million for **Thaddeus Stevens College of Technology**, an increase of \$647,000, or 5%.
- Provides \$305.2 million for **PHEAA Grants to Students**, which is level with this year's budget. This amount is supplemented by \$125 million in agency earnings, an increase of \$40 million annually from FY 2014-15.
- Provides \$5 million for **Ready to Succeed Scholarships**, level with this year's funding amount.
- Provides \$24.4 million for **PHEAA Institutional Assistance Grants**, which is level with this year's budget.

## GOVERNOR'S BUDGET FOR 2016-17

**HISTORICAL & MUSEUM COMMISSION**

- Includes \$20.6 million for the Historical and Museum Commission's **General Governmental Operations**, an increase of \$1 million, or 5.1%.
- Provide \$2 million for **Cultural and Historical Support**, which is level with this year's budget.
- Provides \$12.4 million from the **Keystone Recreation, Park and Conservation Fund for Historic Site Development**, an increase of \$3 million, or 31.5%.

**HUMAN SERVICES**Department-Wide

- The following highlights initiatives funded from state General funds. Details are provided in program specific sections:
  - *Express Lane Eligibility* – \$22.5 million in General Funds to reach and enroll uninsured children into Medicaid or Children's Health Insurance Program:
    - \$0.5 million under the Information Systems appropriation.
    - \$21.2 million under the Capitation appropriation.
    - \$0.8 million under the Children's Health Insurance Program.
  - *Community HealthChoices* – \$43.2 million in the General Fund to improve care coordination and health outcomes while allowing more individuals to live in their community:
    - \$7.9 million under the Information Systems appropriation.
    - \$28.1 million under the Long-Term Care appropriation.
    - \$2.5 million under the Home and Community-Based Services appropriation.
    - \$3.2 million under the Services to Persons with Disabilities appropriation.
    - \$0.7 million under the Attendant Care appropriation.
    - \$0.8 million under the County Administration - Statewide appropriation.
  - *Combating the Heroin Epidemic* – \$34.2 million in the General Fund to provide 11,250 individuals with substance use disorder treatment in a Health Home facility. Initiative includes establishment of 50 community-based "health homes" for persons suffering from opioid addiction.

**GOVERNOR'S BUDGET FOR 2016-17**

- \$16.7 million under the Capitation appropriation.
- \$17.5 million under the Behavioral Health Services appropriation.
- *Community Opportunities* – \$54 million in the General Fund:
  - \$17.9 million in General Funds to serve an additional 2,304 older Pennsylvanians through the Medicaid Home and Community Based Aging Waiver.
  - \$7.4 million in General Funds to serve an additional 600 individuals through the long-term care LIFE program.
  - \$4.7 million to serve 600 additional individuals with physical disabilities in the Attendant Care Waiver.
  - \$18.4 million to serve 1,440 additional individuals with physical disabilities in the Services to Persons with Disabilities Waivers.
  - \$4.7 million to increase community placement for 90 individuals currently in state mental hospitals facilities.
  - \$955,000 to increase community placement for 75 individuals currently in state intellectual disability facilities.
- *Expand Services for Individuals with Disabilities* – \$12.3 million in the General Fund:
  - \$11.5 million for community based services for 250 individuals on the Intellectual Disabilities waiting list and 500 students graduating from special education.
  - \$775,000 to serve 100 additional individuals with autism spectrum disorder in the community.
- *Breast Cancer Screening and Legal Services* – \$0.4 million (10% increase) in General Funds:
  - \$0.2 million to expand Breast Cancer Screening programs and services.
  - \$0.2 million to expand legal services programs and services.
- The budget provides \$22.8 million in state funds to replace the reduced federal funds participation (FMAP). The FMAP rate is decreased from 52.01% to 51.78%.
- The budget provides \$60.2 million in state funds to replace the reduced federal funds participation for medical assistance (FMAP) for Medicaid Expansion under the Affordable Care Act. The FMAP rate from the Medicaid expansion population is decreased from 100% to 95%.

**GOVERNOR'S BUDGET FOR 2016-17****Medical Assistance (MA) & Long Term Living**

- In FY 2016-17, 2.82 million Pennsylvanians will be eligible for Medical Assistance on a monthly basis, an increase of 4.3%, or 117,030 people.
- The budget request includes a FY 2015-16 supplement appropriation of \$1.9 billion for Medical Assistance Capitation which was line item vetoed.
- The Federal Balancing Incentive Program ends in September 2015 which results in an increased need of \$31.1 million in state funds to backfill the loss of federal funds. The program increased federal financial participation for balancing community-based services by moving clients from institutional settings to home and community-based services.
- The budget provides for a supplemental appropriation in FY 2015-16 of \$2.5 million for the Medical Assistance – Physician Practice Plans appropriation.
- The Governor continues the elimination of the following appropriations:
  - Medical Assistance – Obstetric and Neonatal Services
  - Hospital-Based Burn Centers
  - Medical Assistance – Critical Access Hospitals

**Human Services Development Block Grant**

- In FY 2012-13, a 20-county pilot program was implemented to provide local governments with increased flexibility to address local needs. As part of this pilot program, funding for the following six programs was combined into a flexible Human Services Block Grant: community mental health services, behavioral health services, intellectual disability community base services, county child welfare special grants, homeless assistance programs and Act 152 drug and alcohol services.
- The pilot program was expanded by 10 additional counties in FY 2013-14.
- The Governor has proposed a three-year add back period to restore the FY 2012-13 funding cuts. The proposed increases in FY 2016-17 and FY 2015-16 (supplemental appropriations) funding are for the following programs:
  - Community Mental Health Services increased by \$18.3 million
  - Behavioral Health Services increased by \$1.6 million
  - Intellectual Disability Community Base Services increased by \$4.8 million
  - County Child Welfare Special Grants by \$1.5 million
  - Homeless Assistance Programs by \$685,000
  - Act 152 drug and alcohol services under Fee for Service by \$491,000
  - Human Service Development Fund by \$499,000

# GOVERNOR'S BUDGET FOR 2016-17

## Other Public Welfare Programs

- The budget provides an increase of \$321.2 million for additional utilization, caseloads and rate increases among various programs.
- The budget provides an additional \$77.1 million for the annualization of prior year initiatives and consumers.
- The budget proposes an increase of \$25.6 million in the counties' Needs-Based Budgets and an additional \$166.4 million for the FY 2015-16 change to cash basis accounting under the County Child Welfare appropriation.
- The budget proposes an increase of \$10 million in the Family Centers and Home Visiting appropriation to support the enrollment of an additional 1,900 children.
- The budget proposes an increase of \$12 million in the Child Care Services appropriation to serve an additional 2,247 children on the low income waiting list.
- The budget does not appear to provide for a cost-of-living increase to community programs.

## INSURANCE

- The budget maintains the FY 2013-14 initiative to fund the Insurance Department's General Government Operations through its own dedicated funding stream from fees and fines the department collects.
- The budget maintains the FY 2015-16 transfer of the Children's Health Insurance Program to the Department of Human Services.
- The budget establishes a \$7 million appropriation entitled USTIF Loan Payment for the repayment of the Underground Storage Tank Indemnification \$100 million loan that was made in 2002.

## JUDICIARY

The Governor proposes a total state funding for the Judiciary at \$364.6 million, an increase of \$22.2 million (6.5%).

Following is an itemization of the Judiciary department's appropriations along with the Governor's proposed funding levels:

- Supreme Court at \$55.8 million, an increase of \$4.2 million (8.2%).
- Superior Court at \$32.6 million, an increase of \$2.7 million (9.1%).
- Commonwealth Court at \$19.5 million, an increase of \$1.2 million (6.4%).
- Courts of Common Pleas at \$121.3 million, an increase of \$8 million (7%).

# GOVERNOR'S BUDGET FOR 2016-17

- Magisterial District Judges at \$85.9 million, an increase of \$5.5 million (6.8%).
- Philadelphia Municipal Court at \$7.9 million, an increase of \$553,000 (7.6%).
- Judicial Conduct Board at \$2 million, an increase of \$79,000 (4%).
- Court of Judicial Discipline is proposed to be level-funded at the current year's level of \$468,000.
- Reimbursement of County Costs (grants) are proposed to be level-funded at the current year's level of \$39.1 million.

The Supreme Court funding increase includes a \$350,000 initiative to create the Office of Elder Justice in order to address access to justice issues affecting older Pennsylvanians.

## LABOR & INDUSTRY

- Total General Funds for the Department increase by \$9.8 million (12%).
- General Government Operations increases by \$1.1 million. This increase includes \$300,000 for the Jobs That Pay – Summer Internship Program initiative that provides internship opportunities for disadvantaged youth and \$250,000 for a Labor Law Compliance Database upgrade.
- The Transfer to the Vocational Rehabilitation Fund is increased by \$2 million, from \$45.5 million in the current year to \$47.5 million. This \$2 million increase will be used to maximize the use of available federal grants.
- Funding for the Centers for Independent Living is level-funded at \$2.3 million.
- Funding for the Keystone Works program and New Choices/New Options is eliminated for FY 2016-17.
- The Assistive Technology Devices and Assistive Technology Demonstration and Training programs are both maintained at their current year funding levels of \$400,000 and \$399,000, respectively.
- Funding for Industry Partnerships is increased by \$5.8 million for a new workforce development initiative for industry groups linked by common product markets, similar technologies and workforce strategies.

## LIQUOR CONTROL BOARD

- Provides \$538.4 million for the Liquor Control Board's executive authorization for **General Government Operations**, an increase of \$21.8 million, or 4.2%.
- Anticipates **baseline sales growth** of \$78.6 million, or 4%, over the current year. In addition, anticipates an additional \$100 million of enhanced proceeds from modernization efforts, bringing the total sales increase to 9.1% from the current year.

# GOVERNOR'S BUDGET FOR 2016-17

- Proposes the **baseline profit transfer** to the General Fund at \$100 million continues, and the Administration proposes a **new enhanced profit transfer** of \$100 million to be realized through modernization initiatives.

## LOTTERY

- The FY 2016-17 estimated gross ticket sales are projected to grow by 0.7% over FY 2015-16 sales.
- The existing \$75 million Lottery Fund reserve is drawn down to zero for FY 2016-17.
- The Lottery receives a \$50 million loan from the General Fund for FY 2015-16.
- The Lottery Fund's Seven Year Financial Statement outlook shows no reserve and has a negative fund balance for the entire period from FY 2017-18 through FY 2020-21.

### Community Services for Older Pennsylvanians

#### *Medical Assistance – Long-Term Care:*

- Lottery funds available for the Long-Term Care program are level funded at \$184.1 million.

#### *Home and Community-Based Services:*

- Lottery funding for Home and Community-Based Services is level funded at \$105.7 million.

#### *Grants to Senior Centers:*

- Lottery funding for grants to senior centers is maintained at \$2 million for FY 2016-17.

#### *PENNCARE:*

- Provides an additional \$7.4 million to expand community services for older Pennsylvanians. This increase includes funding to provide the following:
  - \$3.45 million to pay for the annualization of prior year expansion of attendant care services.
  - \$2.54 million for an initiative to provide attendant care services for an additional 312 recipients.
  - \$1.3 million for an initiative to update the financial reporting system to better manage allocation of funds to local Area Agencies on Aging.
  - \$102,000 for the revision of federal financial participation from 52.01% to 51.78%.

**GOVERNOR'S BUDGET FOR 2016-17****Pharmaceutical Assistance***PACE/PACENET:*

- Appropriates \$220 million to the Pharmaceutical Assistance Fund for the PACE/PACENET program, which is a \$30 million increase to the current fiscal year's appropriation.

**Homeowners and Renters Assistance***Property Tax and Rent Assistance for Older Pennsylvanians:*

- The amount available from the Lottery Fund for the Property Tax/Rent Rebate program (PTRR) is \$289.9 million.
- \$148 million will be transferred from the Property Tax Relief Fund to the Lottery Fund as reimbursement for the PTRR program expansions under Act 1 of Special Session No. 1 of 2006.
- The PTRR program will assist 578,000 households by providing property tax relief and rent assistance in the form of rebates.

**MILITARY & VETERANS AFFAIRS**

Total state funding for the Department of Military and Veterans Affairs is proposed at \$148.7 million, an increase of \$16.7 million (12.6%).

This proposed funding includes the following appropriations:

- General Government Operations at \$24.1 million, an increase of \$582,000 (2.5%). This funding increase includes \$96,000 to provide support for the Veterans Registry and \$44,000 to provide support for the Governor's Advisory Council on Veterans Services. This Governor also requests a supplemental appropriation for the current year in the amount of \$1.6 million.
- Veterans Homes at \$104.7 million, an increase of \$12.8 million (13.9%). This funding includes a proposed supplemental appropriation for the current year in the amount of \$1.2 million. The number of veterans receiving care at state veterans' homes is expected to increase by nearly 5% in the next fiscal year.
- Education of Veterans' Children at \$310,000, an increase of \$209,000 (206.9%) This increase is for an initiative to increase education gratuity payments and improved eligibility requirements. There are currently 190 recipients within the program.
- Amputee and Paralyzed Veterans' Pension at \$3.6 million, an increase of \$106,000 (3%).
- The Governor has proposed a transfer to the Educational Assistance Program Fund in the amount of \$12.5 million, an increase of \$3 million (31.6%).

# GOVERNOR'S BUDGET FOR 2016-17

The following appropriations, along with the current year funding amounts, are proposed to be level funded for FY 2016-17:

- Burial Detail Honor Guard – \$99,000
- American Battle Monuments – \$50,000
- Armory/Readiness Centers Maintenance and Repair – \$245,000
- Special State Duty – \$35,000
- Blind Veterans Pension – \$222,000
- National Guard Pension – \$5,000
- Supplemental Life Insurance Premiums – \$164,000
- Disabled American Veterans Transportation – \$336,000
- Veterans' Outreach Services – \$2.3 million

## **REVENUE**

### **Revenue Collection and Administration**

#### *General Government Operations:*

- The General Government Operations appropriation is increased by \$13 million, or 9.6%, from \$135.6 million in the current fiscal year to \$148.6 million in FY 2015-16.
- The GGO appropriation increase includes a \$6.2 million initiative to annualize and continue to implement tax changes.
- \$6.5 million is appropriated for the ongoing multi-year Technology and Process Modernization initiative. This is equal to the FY 2015-16 appropriation.

## **INDEBTEDNESS**

- Governor Wolf's proposed Capital Budget program would require the Commonwealth to issue general obligation bonds in the amount of \$1.26 billion in FY 2016-17, which is an increase of \$15 million over the current fiscal year.
- The Governor recommends the Commonwealth incur voter-approved and disaster debt in the amount of \$26 million. Voter-approved bonds would be issued as follows:
  - PENNVEST \$20 million
  - Growing Greener Referendum \$6 million
- The proposed appropriation for general obligation debt service within the Treasury Department is \$1.22 billion. This amount is an increase of \$93.9 million, or 8.3%, over the current year.

# GOVERNOR'S BUDGET FOR 2016-17

- Commonwealth Financing Authority debt service increases by \$6.8 million, from \$88.8 million to \$95.6 million. This General Fund increase is needed because \$6.8 million of revenues from the Department of Environmental Protection are no longer available.
- Growing Greener II debt service to be paid from the Environmental Stewardship Fund is \$36.3 million.
- Total general obligation debt outstanding at the close of fiscal year 2016-17 is expected to be \$13.1 billion, which is a \$498.3 million increase over the current fiscal year.

## **ROW OFFICES**

### **Attorney General**

- Provides \$96.7 million for the Office of Attorney General, an increase of \$998,000, or 1%.

### **Auditor General**

- Provides \$48.4 million for the office for the Auditor General, an increase of \$2.1 million, or 4.6%.
- Includes \$3 million for Information Technology Modernization. This appropriation funds the final phase of a multi-year project to improve the office's information technology infrastructure.

### **State Treasurer**

- Total funding for the Treasury Department is increased by \$95.7 million, or 8.1%, of which \$93.9 million is the result of increased debt service costs. Total general obligation debt service is \$1.22 billion.
- General Government Operations is level-funded.

## **STATE**

- The FY 2016-17 budget includes \$877,000 for the Office of New Pennsylvanians, an initiative to provide assistance to new Commonwealth residents.
- General Fund support for Lobbying Disclosure is decreased by \$189,000. This decrease is based on most recent projections of the \$300 biennial registration fee.

# GOVERNOR'S BUDGET FOR 2016-17

## **STATE POLICE & HOMELAND SECURITY**

Total state funding for the State Police is proposed at \$1.1 billion, of which \$814 million (75%) comes from the Motor License Fund (MLF) and \$268.5 million (25%) from the General Fund (GF). This is an overall increase of \$81.5 million (8.1%).

This proposed funding includes the following appropriations:

- General Government Operations (GF & MLF) at \$982.6 million, an increase of \$65.8 million (7.2%).
- Law Enforcement Information Technology (GF & MLF) is funded at the current year's level of \$27.6 million.
- Statewide Public Safety Radio System (GF & MLF) at \$35.8 million, an increase of \$11.2 million (46.7%).
- Municipal Police Training (GF & MLF) at \$2.6 million, an increase of \$102,000 (4%).
- Automated Fingerprint Identification System (GF & MLF) is funded at the current year's level of \$946,000.
- Gun Checks (GF) at \$4.9 million, is an increase of \$3.2 million (193.4%).
- Patrol Vehicles (MLF) is funded at the current year's level of \$12 million.
- Commercial Vehicle Inspections (MLF) at \$11 million, an increase of \$576,000 (5.5%).
- Municipal Police Training Grants (MLF) is funded at the current year's level of \$5 million. This appropriation amount is mandated by Act 89-2013.

The General Government Operations appropriation includes \$7.2 million to fund three State Trooper Replacement Cadet classes. The Governor has not indicated the total number of Cadets for each class.

The Statewide Public Safety Radio System appropriation includes an \$11.6 million initiative for a Statewide Radio System upgrade.

The Pennsylvania Instant Check System (PICS) is proposed at \$3 million, funded from the Firearm Records Check restricted account.

The proposed appropriation for the Bureau of Liquor Control Enforcement, which is funded from the State Stores Fund, is funded at the current year level of \$29.7 million.

The Governor proposes to appropriate \$28.5 million from the State Gaming Fund to the State Police for Gaming Enforcement. This is an increase of \$791,000 (2.9%).

The Governor's proposal does not include any supplemental funding requests for the current year.

**GOVERNOR'S BUDGET FOR 2016-17****TRANSPORTATION****General Fund**

The total General Fund budget proposed for the Department of Transportation is \$6.1 million, a modest decrease of \$51,000.

This proposed funding includes the following:

- Vehicle Sales Tax Collections at \$977,000, a decrease of \$47,000 (4.6%);
- Voter Registration is funded at the current year's level of \$529,000; and
- PennPORTS Debt Service at \$4.6 million, a decrease of \$4,000 (less than 1%), when including the Governor's proposed supplemental funding in FY 2015-16.

**Motor License Fund**

The Governor's proposed budget, funded from the Motor License Fund, for FY 2016-17 is \$1.86 billion, decrease of \$51 million (2.7%).

The Pennsylvania Turnpike Commission has provided annual contributions for an expanded highway and bridge program and for local maintenance of roads and bridges since FY 2007-08. Annual contributions have been \$200 million. Act 89-2013 redirected this \$200 million from the Motor License Fund to the Public Transportation Trust Fund and the Multimodal Transportation Fund. Act 89-2013 also redirects certain vehicle fees that had been deposited in the Motor License Fund to public transit and multimodal transportation programs.

The Motor License Fund budget proposed for the Department of Transportation includes funding for the following appropriations:

- General Government Operations at \$58.6 million, an increase of \$1.5 million (2.6%).
- Welcome Centers at \$3.9 million, an increase of \$170,000 (4.6%).
- Highway and Safety Improvements at \$137 million, a decrease of \$131 million (49%). The budget document indicates that additional funding for highway construction is available from restricted sources and bond funds.
- Highway Maintenance at \$909 million, an increase of \$43 million (5%).
- Driver and Vehicle Services\* at \$158 million, an increase of \$10.7 million (7.2%).
- Local Road Maintenance and Construction (grant) at \$248.2 million, an increase of \$9.7 million (4%).
- Municipal Traffic Signals at \$40 million, an increase of \$15 million (60%).

*\*Formerly Safety Administration and Licensing*

The following appropriations, along with the current year funding amounts, are proposed to be level funded for FY 2016-17:

- Highway Capital Projects at \$220 million;
- Reinvestment in Facilities at \$16 million;
- Supplemental Local Road Maintenance and Construction (grant) at \$5 million;

# GOVERNOR'S BUDGET FOR 2016-17

- Municipal Roads and Bridges (grant) at \$30 million; and
- Maintenance and Construction of County Bridges (grant) at \$5 million.

## **Mass Transit Funding (except Multimodal Transportation Fund):**

Total mass transit funding is proposed at \$1.6 billion, a decrease of \$184.4 million (10.6%), although transit funding is **not** appropriated by the General Assembly. This funding includes the following:

- **Public Transportation Trust Fund - \$1.2 billion**
  - Mass Transit Operating - \$791.1 million
  - Asset Improvement - \$299 million
  - Programs of Statewide Significance - \$80 million
  - Transit Administration & Oversight - \$4.5 million.
- **Public Transportation Assistance Fund - \$204.3 million**
- **Lottery Fund - \$179 million**
  - Older Pennsylvanians Shared Rides Program is funded at \$83 million, a decrease of \$3 million (3.5%); and
  - A transfer to the Commonwealth Financing Authority, as mandated by Act 89-2013, in the amount of \$96 million.

## **Multimodal Transportation Fund**

Act 89-2013 established the Multimodal Transportation Fund to provide additional funding for rail freight, ports, aviation, bicycle and pedestrian facilities, roads and bridges, and other modes of transportation. This fund receives deposits from the Pennsylvania Turnpike Commission (PTC), a portion of certain fees redirected from the Motor License Fund and a portion of revenue generated by Oil Company Franchise Tax. In FY 2016-17 the fund will receive \$30 million from the PTC, \$73.7 million from fees and \$35 million from the Oil Company Franchise Tax. Rail Freight Assistance will receive \$10 million from the fund and an additional \$1 million from the Unconventional Gas Well Fund.

Other funds from the Multimodal Transportation Fund will be utilized for the following Executive Authorizations:

- Aviation Grants – \$6 million
- Passenger Rail Grants – \$8 million
- Ports and Waterways Grants – \$10 million
- Bicycle and Pedestrian Facilities Grants – \$2 million
- Statewide Programs Grants – \$40 million
- Multimodal Administration and Oversight – \$2.8 million
- Transfer to the Commonwealth Financing Authority – \$60.1 million