



Review

Senate Bill 850, PN 953

Amendment 2617

House Committee on Appropriations (D)
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July 12, 2009

TABLE OF CONTENTS

Basic Education	3
Higher Education	4
Public Welfare/Aging: Medicaid Programs	5
Department of Public Welfare: Human Services and Support	7
Health	9
Department of Agriculture	10
Department of Community and Economic Development	11
Department of Conservation and Natural Resources	12
Department of Environmental Protection	13
Department of Insurance	14
Department of Labor and Industry	14
Public Safety	15
Pennsylvania Emergency Management Agency	18
Department of Military and Veterans Affairs	19
Department of Revenue	19
Department of State	19
Governor's Office and Executive Agencies	20
Debt Service	21
Funding Sources	21

Senate Bill 850, Printer's Number 953, Amendment 2617

Overview

House Republicans have offered an amendment to the Senate Republican bill, SB850. The key difference is that the House Republicans assume enough additional funds to bring SB850 into balance including: some additional tax revenue, primarily from suspending the phase-out of the Capital Stock Franchise Tax; transfers from other funds, like the Rainy Day Fund; a tax amnesty program, and revenue from leasing state forest land for natural gas drilling. Enough funds are left to provide for a small \$138 million increase compared with the Senate version but the effects on Pennsylvania are still dramatic and should be viewed with extreme caution. SB 850 as amended by the House Republican amendment would still cut spending by \$1.6 billion below the spending amount proposed by the Governor, including his downward revisions thru the first week of July. Remember that the Governor has cut spending by roughly \$2 billion so we are comparing Republican cuts with an already dramatically reduced base.

Basic Education

Both SB 850 and the House Republican amendment eliminate the Governor's proposed \$418 million increase in education funding; thereby losing one year of progress towards adequate funding as outlined in the costing-out study.

Both SB 850 and the House Republican amendment roll back state funding to nearly the 2005/06 level and use \$728.8 million from the federal stimulus to pay for that funding. This decrease in state effort may result in loss of federal Title 1 funds to districts and severely jeopardize a potential "Race to the Top" grant award of several hundred million dollars for Pennsylvania.

Federal stimulus funds were designed to provide additional funding to school districts "in exchange for a commitment to advance essential education reforms to benefit students" (U.S. Department of Education). By replacing state dollars with these federal funds, and providing no increase, this amendment makes achieving this commitment a nearly impossible goal.

Both SB 850 and the House Republican amendment eliminate *dual enrollment*, thereby removing the chance for 18,000 students to earn college credits while attending high school.

Both SB 850 and the House Republican amendment reduce funding for *Pre-K Counts* by 50 percent of the 2008/09 level. This program cut could reduce or eliminate access for thousands of children to qualify for early childhood education experiences.

Both SB 850 and the House Republican amendment slash funding for *Reimbursement for Charter Schools*.

Public Libraries: Both SB 850 and the House Republican amendment reduce the *Public Library Subsidy* by almost \$30 million, or 44 percent, and both eliminate *Recording for the Blind and Dyslexic. Library Access* (funds statewide library card system, interlibrary delivery system, and POWER Library) is reduced by more than 50 percent in the House Republican amendment and eliminated entirely in SB 850.

In addition, other cuts include:

- *Accountability Block Grants* (funding for programs such as pre-kindergarten, full-day kindergarten, and class size reduction) are reduced by \$71 million in the House Republican amendment. SB 850 reduces this line to \$266 million, more than \$5 million below the Governor's level.
- *Educational Assistance Programs* (specialized tutoring programs provided to academically-challenged school districts and career and technical centers) are reduced by \$32.6 million or 50 percent in the House Republican amendment. SB 850 retains funding for this line at the Governor's level of \$65.14 million.

Zeroed out by the Governor and SB 850, the following items are restored by the Republican amendment:

- *Science and Math Education Programs* funded for \$1.33 million
- *Job Training Programs* funded for \$3.5 million
- *Public Television State Grants* funded at \$1.5 million

Higher Education

The Senate's proposed budget bill and the House Republican amendment cut funding for the **State System of Higher Education** by \$15 million and provide level funding for **community colleges**. The Senate had eliminated funding for the Community Education Councils, but the House Republican plan would fund them at the \$2.1 million level.

Public Welfare/Aging: Medicaid Programs

For the most part, the House GOP budget proposal reflects the same approach as the Senate Republicans in funding Medical Assistance (MA) and other Medicaid-related programs. As summarized below, the House GOP retains the Senate's policies regarding: the MA managed care program; community-based programs for the elderly and disabled; and behavioral health services. However, the House GOP budget restores some of the hospital payments that the Senate eliminated – these restorations are addressed at the end of this section.

Medical Assistance -- Managed Care

The House GOP budget for the managed care program (funded through the Capitation line item) reflects the following:

- No “Smart Pharmacy” initiative as proposed by the governor. This means that the pharmacy benefit for approximately 1.1 million managed care enrollees will stay with managed care organizations and will not be administered by the Department of Public Welfare. Consequently, the additional pharmaceutical rebates that the Administration had anticipated under its Smart Pharmacy initiative are not assumed in the House GOP budget. The House GOP decision not to support the administration’s Smart Pharmacy initiative is evidenced by the shifting of funds from the Outpatient line item to the Capitation line item.
- No pay-for-performance (P4P) payments to managed care plans. This means that plans will not receive any “bonus” (i.e., incentive) payments for meeting the performance targets set in 2008/09.
- A new assessment on managed care that will generate sufficient federal matching funds to reduce state spending by \$200 million in 2009/10. In accordance with the Federal Deficit Reduction Act of 2005, which requires a broad-based assessment in order for states to earn Medicaid matching funds, Pennsylvania’s existing 5.5 percent assessment on MA-only managed care plans will terminate after September 30, 2009. In compliance with the new federal requirement for a broad-based assessment, the Governor’s budget recommended a statewide assessment of two percent on the premium income of all managed care plans (other than Medicare). The Senate Republicans proposed an alternative six percent Sales Tax on MA-only managed care plans (this is similar to the Michigan plan, which was implemented in April 2009 and has not yet received federal approval to earn Medicaid matching funds). The House GOP has provided no specifics about its proposed assessment; consequently, we do not know whether such assessment will meet the federal requirements to earn Medicaid matching funds and thus generate the assumed state savings.

Community Programs for the Elderly and Disabled

The House GOP does not expand home and community-based programs that serve Pennsylvania’s elderly and disabled citizens. The Governor’s budget increased funding for these programs so that additional individuals could remain in their homes and their communities as an alternative to receiving costly institutional care in a nursing home or a center for the mentally retarded. Like their Senate counterparts, the House GOP:

- Eliminates funding that would enable 2,000 additional seniors to receive community services under the **Aging Waiver Program** (funded through the MA Long Term Care line item).
- Eliminates funding to expand **Attendant Care** to 800 additional disabled non-elderly adults who need assistance with tasks of everyday living.
- Eliminates funding to expand **Services to Persons with Disabilities** to 804 additional individuals who have severe physical disabilities, including 108 people with traumatic brain injuries.
- Eliminates funding to expand **Community MR Waiver Programs** to 793 additional individuals with mental retardation, including 107 individuals on county emergency waiting lists and 500 special education graduates.
- Eliminates funding to expand **Autism** services to approximately 500 additional adults via the new Autism Waiver Program and the new Adult Community Autism Program.

Behavioral Health Services

The Department of Public Welfare used county intergovernmental transfer (IGT) funds to help to pay for **Behavioral Health Services** in 2008/09, the last year in which such funds were available to Pennsylvania due to the federally-mandated phase-out of the IGT. The Behavioral Health Services program allocates grants to counties so that they can provide mental health services as well as drug and alcohol treatment to Pennsylvanians who are not eligible for Medical Assistance -- approximately 77,000 people received services in 2008/09. The Governor's proposed budget replaced the county IGT funds used in 2008/09 with State General Fund revenue. Neither the Senate Republicans nor the House GOP replace the lost IGT revenue; consequently, the resultant \$13.5 million (or 24 percent) funding cut means fewer people will receive services.

Medical Assistance – Hospitals

The Senate eliminated a number of special hospital payments, which totaled approximately one-quarter billion dollars in state and federal funds. The House GOP budget partially restores the Senate cut to hospital payments, four of which are separate line items in the budget:

- **Obstetric and Neonatal Services** is restored to the Governor's request (\$5 million state funds).
- **Hospital-Based Burn Centers** is restored to 94% of the 2008/09 state funding level (\$4.8 million).

- **Critical Access Hospitals** is restored to 94% of the 2008/09 state funding level (\$4.6 million).
- **Trauma Centers** is restored to 91% of the 2008/09 funding level (\$10.6 million).

Most of the Senate cuts were due to the elimination of three specific hospital payments: Outpatient Disproportionate Share (\$61 million in total funds), Medical Education (\$84 million in total funds), and Community Access Fund (\$58 million in total funds). Funding for these three payments is provided through two of the major Medical Assistance line items, MA Outpatient and MA Inpatient. At this time, it is not possible to determine to what extent the House GOP restored funding for these payments without seeing a breakout of their Outpatient and Inpatient lines.

Department of Public Welfare: Human Services and Support

As in Senate Bill 850, the House Republican proposal significantly reduces other funding in the Department of Public Welfare. These reductions will directly affect programs providing services to the Commonwealth's most vulnerable citizens, including seniors, the disabled and chronically ill.

The proposal maintains the Senate cuts relating to general government operations in the Department. These appropriations include: **General Government Operations, County Administration Statewide, County Assistance Offices, New Directions** and **Information Systems**. These appropriations, in particular County Assistance, have been significantly reduced since 2003 and staffing levels directly impact services provided (including benefit management and oversight).

As in Senate Bill 850, the House Republican proposal reduces funding for **Supplemental Grants**. This appropriation provides funding to supplement Federal benefits paid to aged, blind and disabled recipients under the Supplemental Security Income program. The Governor's proposal included additional funding to address a \$23 million loss in available intergovernmental transfer funds and anticipated caseload demand.

The House Republican proposal maintains a cut of \$10 million for **County Child Welfare**. This appropriation supports county-administered social services programs for children and youth in each of the Commonwealth's 67 counties, as required in the County Code and the Public Welfare Code. The Governor's proposed amount is based on approved county needs-based budgets and special grants focused on moving children toward permanency and reducing reliance on more costly institutional services.

Funding for **Community Based Family Centers** continues to be appropriated at the 2008/09 level less the budgetary freeze. This is \$461,000 less than the Governor's proposal. Through 65 centers in 29 counties, integrated family services are provided in central, community-accessible locations (primarily in educational facilities).

As in Senate Bill 850, the House Republican proposal funds **Child Care Services** at nearly \$12 million less than the Governor's proposal. Subsidized child care is provided to low-income families who need care in order to work or receive training in marketable job skills. Parents pay a portion of the cost of care based on income and family size. In order to receive nearly \$60 million in federal American Reinvestment and Recovery Act (ARRA) funds to supplement child care services, the Commonwealth must maintain a state commitment of funding equal to the amount budgeted when ARRA was enacted. By reducing this state appropriation, the Commonwealth would forfeit those federal funds which would be used to help reduce the waiting list and for other quality initiatives.

The House Republican proposal reduces funding for **Child Care Assistance** further than SB 850. Under this proposal, funding for the appropriation is nearly \$42 million less than the Governor's proposal. This appropriation provides subsidized child care services to TANF and former TANF families.

Funding for **Nurse Family Partnership** continues to be appropriated at the 2008/09 level. This is \$3.8 million less than the Governor's proposal. The appropriation provides intensive and comprehensive home visitation for first-time pregnant teens and young women, starting with prenatal care and continuing through the child's infancy. The program is designed to serve low income, at-risk pregnant women expecting their first child. In order to maintain the program, the additional \$3.8 million is needed to hold the overall funding level harmless, due to a shift in available federal funds.

As in SB 850, the House Republican proposal eliminates funding for **Legal Services**. The Department contracts with PA Legal Services to provide services (including domestic relations, dependency and child abuse, and housing and homeownership issues) through a network of local, nonprofit agencies. The Governor's proposal includes \$3.2 million for this program, equal to the 2008/09 enacted amount.

The House Republican proposal funds the **Human Services Development Fund** at the 2008/09 level of \$35 million. Both the Governor's proposal and Senate Bill 850 reduce this appropriation.

The House Republican proposal funds **Homeless Assistance** at \$25.6 million. This is the original amount proposed by the Governor in February. As part of the cuts made in June, the Governor's revised amount for this appropriation was \$2.6 million less.

Health

Like Senate Bill 850, the House Republican Proposal, provides no funding for **Health Care Associated Infection** reporting and control, as specified under Act 40 of 2007. The Governor's proposed budget includes \$2.5 million for this purpose.

The House Proposal only funds **Smoke-Free PA Enforcement** at \$1 million. Both the Governor's proposal and SB 850 fund this appropriation at a higher level. Funding under this appropriation is used enforce the Clean Indoor Air Act.

No funding is provided for **Rx for PA – Health Equity Strategies**. Under this appropriation, funds are used to reduce health disparities by increasing the number of health professionals equipped to address the needs of racial, ethnic and linguistic minorities. The Governor's proposed budget includes \$100,000 for this purpose.

As in SB 850, the House Republican proposal funds the **Primary Health Care Practitioner Program** at \$87,000 less than the Governor's proposal. This program promotes the recruitment and retention of primary health care professionals in underserved rural and urban areas of the Commonwealth.

Like SB 850, the House Republican proposal does not fund **Rx for PA – Primary Care Access**. This appropriation supplemented activities under the Primary Health Care Practitioner Program Funds to increase access to primary health care in underserved rural areas through community challenge grants, nurse loan repayment and enhanced loan repayment programs. The Governor's proposed budget includes \$2.6 million for this program.

Like SB 850, the House Republican proposal funds the **Newborn Screening** program at \$450,000 less than the Governor's proposal. Per state statute, the Department provides screening services and assures appropriate follow-up services for all newborns with abnormal or inconclusive test results. Act 36 of 2008 expanded the number of diseases for screening and the Governor's proposed budget includes additional funding to comply with the requirements of that act.

The House Republican proposal maintains the SB 850 funding level for **Cancer Control Programs** which is \$850,000 less than the Governor's proposal. Act 224 of 1980 (and Act 33 of 2006), authorizes the Department to develop and implement a comprehensive cancer control plan for the Commonwealth.

Like SB 850, the House Republican proposal funds **Breast and Cervical Cancer Screening** at the 2008/09 level less the budgetary freeze. This is \$71,000 less than the Governor's proposal. Funds provide breast cancer and cervical cancer screening for high-risk women ages 40 to 49 whose family income does not exceed 250 percent of the federal poverty level and who do not have other health insurance coverage for these services. Act 74 of 2005 provides statutory authority for these services.

The House Republican proposal funds **AIDS Programs** at \$8.8 million. This level is less than the Governor's proposal but more than SB 850. Funds are used to develop and implement a multi-dimensional, coordinated strategy to prevent and change high-risk behaviors and provide resources for sustaining behavior and avoiding infection with the HIV virus. Services include community outreach, public awareness, education and

intervention projects, and support for seven HIV regional planning coalitions. The Governor's proposal provides \$9 million for this purpose.

The House Republican proposal provides \$1.2 million for **Regional Cancer Institutes** and \$173,000 for **Rural Cancer Outreach**. Neither the Governor nor SB 850 funded these appropriations.

Funding for **Maternal and Child Health** programs is cut by \$359,000 compared to the Governor's proposal. The Department provides a wide array of services to assure mothers and children (in particular those with low income or limited availability of health services) have access services.

As with SB 850, the House Republican proposal funds the **Renal Dialysis** program at a level that is \$1.5 million less than the Governor's proposal. Under the Renal Diseases Act, the Department provides medical, surgical, and pharmaceutical services to individuals with chronic kidney disease who require lifesaving dialysis treatments or kidney transplants. The Governor's proposal includes the additional \$1.5 million to address expected caseload demand for 2009/10.

Unlike SB 850, the House Republican proposal decreases the appropriations for **Adult Cystic Fibrosis, Cooley's Anemia, Sickle Cell, and Newborn Hearing Screening**. The proposal also funds **Arthritis Outreach and Education, Lupus, Epilepsy Support Services, Trauma Programs Coordination, Rural Trauma Preparedness and Outreach, Keystone State Games, Biotechnology Research, Tourette's syndrome, Emergency Care Research and Osteoporosis Prevention and Education**. The Governor's proposal and SB 850 do not fund these appropriations.

Department of Agriculture

The House Republican proposal **increases funding over SB 850 for the Department by \$5.1 million; however, it is still \$3.9 million below the Governor**. The SB 850 proposal is \$9 million or nine percent less for agriculture programs than the Governor's proposal for 2009/10.

The amendment continues a significant reduction to Agriculture's operating budget by \$2.1 million which results in cutting support for mandated regulatory functions, including food safety and labs. The amendment keeps the Senate's \$1 million cut to the **State Food Purchase** program (Food Banks).

This amendment adds \$451,000 back to SB 850's \$705,000 cut to the **Transfer to State Farm Products Show Fund**. The House Republican proposal restores funding for four shows at the Farm Show which the Governor included in the transfer to the farm show appropriation. The Senate proposal did not fund these lines: Livestock –\$195,000; Open Dairy – \$195,000; Junior Dairy – \$43,000; and 4-H Club shows – \$48,000.

Like SB 850, the Republican amendment continues zero funding for **Agriculture Research, Farm-School Nutrition, and Agriculture Excellence**. It makes an additional \$39,000 cut to **Nutrient Management**. It adds some funds back for programs such as:

- **Transfer to the Conservation District Fund – \$267,000.**
- **Crop Insurance – \$700,000;**
- **Future Farmers – \$91,000.**
- **Agriculture & Rural Youth – \$96,000.**
- **Hardwoods Research and Promotion – \$668,000.**
- **Farm Safety – \$97,000.**
- **Payments to County Fairs –\$1.95 million.**
- **Farmland Preservation Administration Support – \$283,000.**

The proposed amendment eliminates SB 850's **transfer of \$4 million from the restricted Dog Law Account** to the General Fund, a transfer that has built up over several years. If the transfer occurs, the account will be in a deficit after no more than two years, which would require the Legislature to raise fees, including dog license fees.

Department of Community and Economic Development

Several programs are reduced beyond the level of SB 850 funding under the House Republican proposal including the **Transfer to the Commonwealth Financing Authority, Housing and Redevelopment Assistance, Tourist Promotion Assistance, Early Intervention for Distressed Municipalities, and Infrastructure and Facilities Improvement Grants**.

The **Infrastructure and Facilities Improvement grants (IFIP)** are multiyear grants used to redevelop blighted and polluted areas into productive properties. Grant amounts are based on the amount of taxes to be generated by the project. At the House Republican proposed amount of \$15.5 million, DCED would not be able to meet annual commitments already made (approximately \$17 million) and there would be no new IFIP projects. The Governor's proposal provides \$30.5 million for these grants, and SB 850 funds the grants at \$25.5 million.

SB 850 eliminates funding for numerous line items in the DCED budget that would receive funding in the Governor's 2009/10 budget: **World Trade PA, Marketing to Attract Film Business, Business Retention and Expansion, Goods Movement and Intermodal Coordination, Land Use Planning and Technical Assistance, Transfer to the Municipalities Financial Recovery Revolving Fund, Transfer to the Industrial Sites Environmental Assessment Fund, Opportunity Grant Program,**

Keystone Innovation Grants, Infrastructure Development, Shared Municipal Services, New Communities, Community Action Team (CAT), Rural Leadership Training, Community Conservation and Employment, Economic Advancement, and Community and Regional Development.

In comparison, the House Republican amendment restores funding at a level below the Governor's proposal for the following programs that had been eliminated by SB 850: **Transfer to the Municipalities Financial Recovery Revolving Fund, Transfer to the Industrial Sites Environmental Assessment Fund, New Communities, and Rural Leadership Training.** The remainder of the programs remain unfunded in the House Republican amendment.

The House Republican amendment provides funding for programs that had previously been unfunded under both the Governor's proposal and Senate Bill 850. Those programs include **Tourism-Accredited Zoos, Infrastructure Technical Assistance, Minority Business Development, PENNTAP, Powdered Metals, and Agile Manufacturing.**

The **Opportunity Grant Program** is used to attract new and expanding businesses to Pennsylvania. The Opportunity Grant Program requires a private investment of not less than \$4 for every \$1 of state grant funds. The Governor's proposal funds this program at \$18.27 million. The program is eliminated under SB 850 and the House Republican amendment.

The Governor's proposed funding for **PENNPORTS** is \$9.4 million. The proposed funding level under both SB 850 and the House Republican amendment is \$8.7 million.

In terms of the department's complement (employees), it should also be noted that the appropriations for **General Government Operations (GGO), Office of Open Records, World Trade PA, Marketing to Attract Tourists, Marketing to Attract Business, Marketing to Attract Film Business, and Business Retention and Expansion** all support complement. The majority of DCED employees are paid from the general government operations line. The funding provided for the general government operations under the House Republican amendment would require about a dozen more position eliminations than the Governor's latest plan. The World Trade PA appropriation carries about two dozen staff. According to DCED, there is no other readily available funding source for these positions. Like SB 850, the House Republicans have eliminated funding for this program. The Governor proposes funding of World Trade PA at \$8.9 million.

Department of Conservation and Natural Resources

In comparison to the Governor's budget proposal, Senate Bill 850 cuts funding for **State Parks Operations** by \$6.72 million (-11.7%) while the House Republican proposal

reduces funding by \$3.18 million (-5.4%). According to DCNR, the cuts under SB 850 would lead to the closing of 35-to-40 parks.

State Forests Operations are cut by \$6.56 million (-27.4%) under SB 850 and by \$3.79 million (-15.16%) under the House Republican amendment when compared to the Governor's proposal.

SB 850 and the Governor's proposals transfer \$174 million from the Oil and Gas Lease Fund to the General Fund. However, new estimates show revenues closer to \$143 million which is reflected in the transfer under the House Republican amendment.

According to DCNR, the House Republican budget proposal incorrectly assumes the amount of state forest land available for natural gas development and the amount of revenues that could be generated through a lease sale. DCNR estimates a maximum of 225,000 acres of state forest land could be leased, not the Republican estimate of 390,000 acres. Also, not all land available will have sufficient road and infrastructure access. DCNR further states the House Republican revenue assumptions are not supported by current market values. DCNR's previous sale of leasing rights garnered \$14 per thousand cubic feet, under current market conditions, prices are around \$3.50 per thousand cubic feet. Land is being leased for about \$200 to \$500 per acre not the \$1,500 assumed in the House Republican revenue projections.

Both SB 850 and the House Republican amendment transfer the total amount of funding available from the Keystone Recreation, Park and Conservation Fund to: the Department of Education for local library rehabilitation and development, the State System of Higher Education for deferred maintenance, and the Historical and Museum Commission for historic site development.

Department of Environmental Protection

Funding for **Environmental Program Management, Environmental Protection Operations, and West Nile Virus Control** under the House Republican proposal falls into the middle between the Governor's proposal and Senate Bill 850.

The House Republican proposal restores funding at a level below the Governor's proposal to programs that were eliminated under SB 850: **Storm Water Management, Sewage Facilities Planning Grants, and Sewage Facilities Enforcement Grants.**

The House Republican amendment proposes funding the **Transfer to Conservation District Fund** at \$3.17 million, an increase of \$108,000 (3.53%) over the Governor's proposal and SB 850.

Under the House Republican proposal, funding for **Flood Control Projects** is eliminated. The Governor proposed an appropriation of \$5.48 million and SB 850 proposed funding at \$4.11 million.

Department of Insurance

Like SB 850, the House Republican proposal funds the Children's Health Insurance Program (**CHIP**) program at last year's amount. This was calculated in the spring of 2008 based on an average anticipated demand in the program. As the economy has soured, the Commonwealth has seen an increase in the number of children seeking health insurance. As of June 2009, the CHIP program had over 190,000 children enrolled. This is nearly 10,000 more children than anticipated in the calculation of the 2008/09 appropriation. In short, under the House Republican proposal, children currently on the CHIP enrollment are in jeopardy of losing coverage. In addition, a waiting list would be created in a program that has never seen one.

Department of Labor and Industry

The House Republican proposal funds **Occupational Disease Payments** at \$968,000. This is less than both SB 850 and the Governor's proposal. This appropriation funds disability and death payments to beneficiaries for whom the Commonwealth is liable under the Workers Compensation Law and Occupational Disease Act. The additional funding in the Governor's proposal reflects the implementation of Act 123 of 2008 that provides enhanced benefits for black lung victims.

The House Republican proposal funds the **Supported Employment Program** at \$902,000. This is still less than the Governor's proposal, but more than SB 850. This program provides intensive job training at the job site for persons with severe disabilities, which often includes payments for full time job coaches providing individual instructions.

As with SB 850, the House Republican proposal eliminates funding for **Training Activities**. This appropriation provides grants to supplement Federal funds authorized for adult, dislocated workers and youth programs conducted under the Workforce Investment Act. In 2005/06, under Job Ready PA, nearly \$15 million in funding was provided for employer-driven training developed through industry partnerships. Funding for this component has been carried forward at some level in subsequent years.

The House Republican proposal funds the **New Choices/New Options** program at \$2.2 million. The Governor's proposal and SB 850 do not fund this program.

Unlike SB 850, the House Republican proposal includes \$1.3 million for **Assistive Technology**. This appropriation provides funding to the Assistive Technology Lending Library and a loan program for individuals to purchase necessary equipment.

Like SB 850, the House Republican proposal eliminates **Industry Partnerships**. Created under the Job Ready PA initiative in 2005/06, this appropriation provides grants for technical assistance and other support to seed-fund additional industry partnerships

in the Commonwealth. The Governor's proposal includes \$3.6 million for this appropriation, which reflects a \$1.3 million decrease from 2008/09.

Public Safety

Juvenile Court Judges' Commission (JCJC)

The Republican amendment restores JCJC funding – an increase of seven percent over the Governor's proposed appropriation and 13 percent more than SB 850 appropriates. The House Republican amendment would help avoid elimination of positions at JCJC.

SB 850 cuts JCJC by almost five percent. JCJC has an authorized complement of 28 and will lose five positions under the Governor's proposal. SB 850 will result in the loss of an additional three positions. JCJC responsibilities include working with the State Police daily to process juvenile delinquency data submitted to the PSP Central Repository and to assist with background checks for firearm purchases and employment.

Commission on Crime and Delinquency (PCCD)

The Republic amendment funding for PCCD is 0.5% lower than both the Governor and SB 850 – ensuring significant job loss for employees at PCCD.

Under the Governor's proposal, PCCD is in jeopardy of losing 18 positions. SB 850's additional \$424,000 cut will cause an additional PCCD to furlough an additional 10 employees. PCCD has increased responsibilities related to distributing federal stimulus grants and federal reporting requirements – sufficient staff will be necessary for PCCD to continue to be an effective component of the criminal justice system in the Commonwealth and to meet additional responsibilities.

Victims of Juvenile Crime (VOJO)

The Republican amendment provides slightly less funding than the Governor for VOJO. Unlike the Senate Republicans, House Republicans recognize that elimination of funding for VOJO would burden counties with an unfunded legislative mandate.

SB 850 eliminates all VOJO funding – \$3.4 million. VOJO funds legislative mandates for counties to provide services to victims of juvenile offenders. In addition to eliminating the funds for counties to provide legislatively mandated to services to victims, SB 850 will jeopardize 72 full-time and 130 part-time local positions! Certain counties will be faced with absorbing costs the best they can in order to provide mandated services.

Weed and Seed

Unlike Senate Republicans, House Republicans provide some funding to Weed and Seed – but only slightly more than half of what the Governor proposes. Under the Republican amendment, tough decisions will still have to be made regarding what communities will receive funding and what employees will lose their jobs.

SB 850 eliminates all funding for Weed and Seed - \$2.5 million. Across the Commonwealth, there are 47 Site Coordinators, 47 Community/Police Liaisons, and about 71 Program Coordinators – a total of 165 local jobs. Local municipalities would bear the burden for funding these positions under SB 850.

Research-Based Violence Prevention

Just like Senate Republicans, House Republicans eliminate funding for Research-Based Violence Prevention (\$3 million). The Republican amendment will result in thousands of youth denied opportunities to avoid the adult system and it will result in loss of jobs.

These House and Senate Republican cuts put 43 full-time and 190 part-time local jobs in jeopardy. Funds for Research-Based Violence Prevention have been used in over 120 communities for scientifically proven programs for preventing and addressing issues of youth violence. Elimination of funding will put 55 programs serving 15,000 youth across the Commonwealth in jeopardy. Preventing only five percent (223 youth) of new placements in costly taxpayer-supported placement facilities each year would save \$9 million dollars annually.

Evidence-Based Prevention and Intervention Practices

Just as in SB 850, House Republicans eliminate funding for Evidence-Based Prevention (\$3.4 million). The amendment will result in thousands of youth denied opportunities to avoid the adult system and it will result in a loss of jobs.

This House and Senate Republican cut will affect 31 full-time and 224 part-time local jobs. This funding provides for the infrastructure to support the implementation of evidence-based programming in the Commonwealth.

Department of Corrections (DOC)

House Republicans have made cuts to DOC's budget that will likely have significant effects on safety and security within our prisons. While DOC indicates SB 850 will require cuts to jobs and will make things difficult within our state prison system, the House Republican amendment will make things even worse. The amendment cuts another \$1.8 million out of DOC's general government operations, which will likely result in the elimination of additional positions.

The Republican amendment cuts \$18.7 million from the **Inmate Medical Care** line, where DOC is looking at the loss of 245 jobs under SB 850. The magnitude of job loss in the Inmate Medical Care line will have a serious effect on medical care for inmates, who – like it or not – are individuals the Commonwealth is constitutionally required to care for. Current contracts in the Inmate Medical Care line eat up all but \$5 million dollars under the Governor’s proposal. Under the Republican amendment funding level, DOC may not have sufficient funds to honor contracts.

The Republican amendment cuts an additional \$12.8 million dollars from the Governor’s \$47.2 funding for Inmate Education and Training. Under SB 850, 91 percent of vocation programs would be eliminated. The House Republican amendment reduces that even further. While the House Republicans propose to save money now, the Commonwealth can anticipate significant increases in inmate population in the future as recidivism rates skyrocket. DOC indicates that a preliminary study by the Correctional Education Association shows that vocational education programs help to reduce recidivism by 20 percent.

Probation and Parole

The Republican amendment funds Probation and Parole at SB 850 levels.

Both SB 850 and the House Republican amendment cut Probation and Parole’s general government operations by \$7.7 million and will require 38 staff, primarily agents, to be furloughed – 86 percent of general government operations is dedicated to funding the salary and benefits of personnel. According to the agency, under SB 850 funding levels a deficit of 87 field agents will occur by June 2010 which translates to higher case-load ratio. Insufficient funding will result in fewer offenders being released from SCI’s and an increase in technical and criminal parole violators returning to prison. Costs to house an inmate in an SCI are \$35,000 a year; costs for yearly probation and parole are \$3,000. Cuts to probation and parole now will result in increased future costs for the Commonwealth that will exceed any “savings” under the Republican proposals.

Pennsylvania State Police (PSP)

The Republican amendment funds PSP’s general government operations at the same General Fund level as SB 850 and the amendment does not make proportional cuts to the Motor License Fund. The Republican amendment does provide increased funding, at the Governor’s level, to the Law Enforcement Technology appropriation – above what SB 850 allocates.

PSP’s general government operations are funded 27 percent by the General Fund (GF) and 73 percent by the Motor License Fund (MLF). SB 850 is \$11.8 million less than the Governor’s proposal for PSP’s general government operations – where 89 percent of the appropriation is for personnel costs. PSP indicates that SB 850 could result in the furlough of 800 troopers. This equates to shutting down 27 percent of PSP stations. At

a time when more municipalities are depending on PSP services, SB 850 and the Republican amendment make drastic cuts in the area of public safety.

SB 850 slashes the appropriation for Law Enforcement Technology by 43 percent, a line that supports the Uniform Crime Reporting system, the CLEAN network, and Megan's Law/Adam Walsh requirements.

Attorney General (AG)

House Republicans eliminate all funding (\$4.9 million) for the Attorney General's Joint Local-State Firearm Taskforce. This appropriation supports efforts to deal with illegal firearm activity in the Commonwealth. In a state like ours that has seen the murder of law enforcement officers in both Pittsburgh and Philadelphia – not to mention the firearm violence across the country and the Commonwealth for citizens in urban, suburban, and rural areas – eliminating the support for joint efforts by state agents and local law enforcement demonstrates a lack of concern for public safety.

The Republican amendment generally funds the AG lower than both the Governor and SB50.

Under SB 850, the AG would lose 76 positions, 53 of which are dedicated to public protection and fighting crime. Under the Governor's proposal, 42 positions are in jeopardy.

Judiciary

The House Republican amendment generally splits the difference between the Governor's proposed funding and SB 850 for the Judiciary.

Under both the Governor's proposal and SB 850, funding for salaries and benefits for judges is in jeopardy, however, SB 850 funds fewer judges than the Governor. Overall, funding for the Judiciary by the Governor is \$34.1 million short of what the Judiciary indicates the courts need to function optimally. Under SB 850, the Judiciary shortfall is \$46.5 million.

Pennsylvania Emergency Management Agency (PEMA)

SB 850 cuts general government operations funding for PEMA by \$637,000 beyond the Governor's revised budget, whereas the Republican amendment cuts PEMA's general government operations by \$293,000.

Unlike SB 850, which eliminates funding for the **Red Cross Extended Care** program, the Republican amendment funds the program at \$375,000. In 2008/09, \$750,000 was available and the Governor proposed \$493,000 in 2009/10. This line item provides assistance to the Red Cross for its program to help people following an emergency, such as losing a house in a fire.

Department of Military Affairs (DMVA)

The Republican amendment continues SB 850's proposal to eliminate the Governor's requested funding for security at Willow Grove and Fort Indiantown Gap (\$1.1 million).

This amendment supports the Senate cuts to the following programs under DMVA below the Governor's Request for 2009/10:

- General Government Operations, by 12.1%.
- Supplemental Life Insurance Premiums, by 51.9%.
- Education of Veterans Children, by 34.8%.

The amendment does restore Veteran Homes to the Governor's request of \$82 million instead of the SB 850 cut to \$69.78 million, a reduction of \$12.2 million. Note that neither SB 850 nor the House Republican amendment provides any funding for Scotland School for Veterans' Children.

Department of Revenue

The House Republican amendment and SB 850 both cut funding for the Department of Revenue **to levels not seen for more than a decade**. Although the Governor proposed \$136.6 million in funding, the Republican proposal would allocate just \$124.8 million. Both Republican proposals eliminate funding for **Technology Modernization and Reorganization**, a move that may prove costly as the current systems become outdated and are in need of upgrades.

Like Senate Bill 850, in the House Republican proposal, **Revenue Enforcement** is cut by 14 percent. With revenues currently down, collecting taxes owed to the state is an investment that more than pays for itself. Unlike the Senate's plan, the House Republican plan would establish a tax amnesty program, which would waive a portion of the penalties and interest in an attempt to encourage a large influx of overdue tax liabilities. This plan could hit a logistical roadblock considering the fact that the plan increases the burden on the Department of Revenue while cutting the necessary resources to fulfill the mission.

Department of State

The Governor's most recent proposal reduces the Lobbying Disclosure appropriation line from \$837,000 in 2008/09 to \$440,000 in 2009/10. Like SB 850, the Republican amendment cuts an additional \$3,000, bringing the funding for Lobbying Disclosure to \$437,000 in 2009/10. This line funds five employees to do the work mandated by Act 124 of 2006, the **Lobbying Disclosure Act**. The act requires that the Department receive filings and reports from lobbyists, make this information available to the public, maintain the information on a website, produce annual reports and a biennial directory, conduct audits, and provide administrative assistance to the regulating committee.

Governor's Office and Executive Agencies

The Republican amendment cuts funding for the Governor's Office by 6.4% more than the amount proposed by the Governor. This is \$1 million, or 14 percent, below available 2008/09 funding. In perspective, SB 850 is a 3.8% reduction below the Governor's budget request and 9.8% below the available 2008/09 funding.

SB 850 keeps all the program eliminations proposed by the Governor but increases the cut to the **Historical and Museum Commission's** (PHMC) general operating budget.

The Republican amendment does add \$1.893 million for PHMC's museum assistance grants which the Senate and Governor did not fund. This is basically a 50 percent cut from 2008/09 funding.

As with SB 850, the Republican amendment eliminates funding for the **Latino Affairs Commission, African American Affairs Commission, and Asian Affairs Commission**, the **Commission for Women** and the **Council on the Arts**. Funding for **Grants to the Arts** (\$14 million) also is eliminated. The House Republican amendment restores one commission, the Governor's Advisory Council on Rural Affairs (\$151,000), which SB 850 eliminated. The Governor's had requested \$200,000.

Like SB 850, the Republican amendment reduces the amount to the **Homeowners' Emergency Assistance Program** (HEMAP) in the **Pennsylvania Housing Finance Agency**. SB 850 appropriates \$9.9 million for HEMAP, \$1.1 million less than proposed by the Governor, and the Republican amendment reduces it further to \$9.68 million. These numbers are inadequate to fund the program for a year. In 2008/09, the Governor transferred an additional \$5 million from TANF funds to keep the program from shutting down. There are no TANF funds available in 2009/10 and none of the federal stimulus money can be used for HEMAP. We only have access to state funds.

The true program cost for last year was \$14.8 million. But the recession has gotten worse, not better. Last February, Pennsylvania's unemployment rate exceeded 6.5%, which means HEMAP loans extend to 36 months and the repayment criterion drops to 35 percent of monthly income. This translates to the need for additional money; loan disbursements will increase and repayments will decrease.

If HEMAP is inadequately funded, as it is with SB 850 and the Republican amendment, the program shuts down by statute. Mortgage companies will no longer be stalled in foreclosing on people's homes. Now lenders are required to provide mortgagors with an Act 91 notice, informing the borrower of the availability of HEMAP. If there are inadequate funds in HEMAP, however, the Act 91 notice requirement is terminated, and mortgage companies can more swiftly proceed with foreclosure. This speeds up foreclosures by six months. Mortgage foreclosures have skyrocketed in the nation over

the last several years. Pennsylvania has been fortunate to have HEMAP, which kept our high foreclosure rate lower than the national average.

SB 850 cuts funding from the governor's proposed \$2 million to \$1.5 million for **Pennsylvania Public Television Technology**.

Just as in SB 850, the Republican amendment zero funds **Motor Voter Registration**.

Debt Service

Unlike SB 850, the Republican amendment reduces the amount in the debt service line by two percent to \$924 million, from \$943 million. This means that fewer bonds will be issued in the 2009/10 fiscal year. According to the Governor's Budget Office, \$22 million of the original \$943 million is for new bonds to be issued during 2009/10. Bonds are not issued for specific projects, but are issued on a cash flow basis. For example, any project in construction or moving to construction in the next six months would receive funding from bonds issued in June 2009 and bonds issued in the fall will provide funding through the winter of 2009/10. A reduction in the debt service line could mean that projects already under construction would not be funded.

Funding Sources

The House Republican plan proposes a variety of changes to current tax laws and fund transfers in order to increase revenue available for General Fund appropriations. The total amount of revenue increases proposed for the 2009/10 fiscal year is \$1.9 billion and will require additional legislation. The exact breakdown of those revenues has not been presented by the House Republicans. The following list shows most of the proposed increases and the amount of revenue associated with each, based on July 10 remarks at a Republican press conference:

- Maintain Capital Stock and Franchise Tax at 1.89 mills. Revenue estimates provided by the Department of Revenue indicate this would generate \$72.5 million in 2009/10 and \$292.6 million in 2010/11.
- Redirect to the General fund, the 25 cent cigarette tax transfer to the Health Care Provider Retention Account. The Governor's office estimated this at \$190.7 million.
- Transfer \$300 million from the Rainy Day Fund to the General fund.
- Transfer \$100 million each year for the next three years from the Health Care Provider Retention Account.
- Transfer \$100 million each year for the next three years from the Tobacco Endowment Account.

- Lease state forest lands for natural gas drilling in the Marcellus Shale region, estimated to raise \$208 million at the July 10 press conference.
- Introduce a Tax Amnesty Program estimated to raise \$100 million at the July 10 press conference. The specific details of the program are not available. Meanwhile, the Secretary of Revenue has opposed this program due to administrative costs. The Secretary also noted that the Department's recent aggressive collection strategies have significantly minimized the amount of collectable overdue revenue.
- According to the recent press conference, "Other Small Fund Transfers" proposed in the House Republican plan include a transfer from the Keystone Recreation, Park & Conservation Fund, which could be as much as \$21.3 million and a transfer from the Machinery Equipment Loan Fund for \$30 million. Other small fund transfers may be included in House Republican assumptions.
- The House Republican plan also assumes "Additional Revenues Proposed by Governor Rendell" and includes changes to the filing schedule of sales and use tax and personal income tax returns, as well as changes to the holding period of certain escheats. These changes reflect an additional \$482 million under the Governor's plan.

The amounts listed above are less than the \$1.9 billion assumed in the House Republican plan. Therefore, it is fair to assume that other fund transfers or sources of revenue have not been presented at this point. Most of these proposals require additional legislation.