

Governor Wolf Budget Proposal

House Appropriations Analysis

- Governor Wolf is proposing a \$34.15 billion budget for FY 2019-20.
- That is an increase of \$927 million or 2.8%.

Revenue Changes and Fund Transfers

- Corporate Net Income Tax- Starting January 1, 2020, the governor is proposing mandatory combined reporting and capping Net Operating Losses (NOLs) at 40%. Starting January 1, 2020 the Corporate Net Income Tax will be lowered from 9.99% to 8.99%. The CNIT rate is proposed to be further reduced to 8.29% in 2021; 7.49% in 2022; 6.99% in 2023; and 5.99% in 2024 and thereafter. This would cost the Commonwealth \$7.2 million in fiscal year 2019-20.
- The governor also wants to increase the annual cap of the Resource Enhancement Tax Credit from \$10 million to \$13 million effective July 1, 2019.
- The governor is proposing the following fund transfers:
 - Transfer to Tobacco Settlement Fund- \$115 million transfer of funds from Sales and Use Tax to a restricted account to pay for the Commonwealth's Tobacco Settlement Fund debt service payments.
 - Transfer to the Commonwealth Financing Authority- \$20 million transfer of funds from Sales and Use Tax to a restricted account for school construction debt service.
 - Transfer to Environmental Stewardship Fund- \$20 million transfer of funds from Personal Income Tax to a restricted account for Growing Greener debt service payments.
 - Transfer to Farm Show Lease Fund- \$13.3 million transfer of funds from the Personal Income Tax to a restricted account for Farm Show lease payments.
 - Transfer to School Safety and Security Fund- \$15 million transfer of funds from the Personal Income Tax to a restricted account for school safety and security grants.
 - Transfer to SERS Defined Contribution Fund- \$3.9 million transfer of funds from the Personal Income Tax to a restricted account to continue paying for the costs associated with the SERS Defined Contribution Plan established under Act 5 of 2017.

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Minimum Wage Hike

- The governor is proposing that starting July 1, 2019, the minimum wage will be \$12 per hour and include tipped workers currently making less than the minimum wage.
- The minimum wage would then be increased by \$0.50 annually until the minimum wage reaches \$15 per hour on July 1, 2025.
- This minimum wage hike is estimated to generate an additional \$120.2 million in General Fund revenue in FY 2019-20 from additional personal income tax and sales and use tax collections.
- The governor estimates this will save an additional \$36 million in DHS costs.
- The Independent Fiscal Office stated in their April 2018 *Analysis of Revenue Proposals* that a minimum wage increase to \$12 would result in the loss of 33,000 jobs.

Supplemental Appropriations

- The Department of Corrections is proposed to receive \$50 million in supplemental appropriations. That \$50 million breaks down to \$10 million for Medical Care and \$40 million for State Correctional Institutions.
- The Department of Education is proposed to receive a \$14 million supplemental appropriation for Early Intervention.
- The Department of Human Services is proposed to receive \$431.3 million in supplemental appropriations. Those break down as follows:
 - \$17.8 million for Cash Grants
 - \$240.3 million for Medical Assistance-Capitation
 - \$39.6 million for MA Home and Community Based Services
 - \$22 million for Services to Persons with Disabilities
 - \$15.5 million for Attendent Care
 - \$21.5 million for Intellectual Disabilities Intermediate Care Facilities
 - \$55 million for Intellectual Disabilities Community Waiver Program
 - \$25.16 million for Early Intervention.
 - There is also a \$500,000 negative supplemental for Autism Intervention and Services and a \$5 million negative supplemental for Medical Assistance- Workers with Disabilities.
- In total, the governor is seeking supplemental appropriations of \$495 million for FY 2018-19.

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Debt Service

- General Obligation debt service is proposed to increase by \$67 million in FY 2018-19.

PreK-12 Education

- PreK-12 education would increase by \$450 million.
- Of this amount, \$160.5 million would be for the Commonwealth's contribution to PSERS.
- Basic Education Funding: Governor Wolf is seeking to increase this line item by \$442 million. This increase comes partially from combining the Ready to Learn Block Grant into BEF. \$242 million from Ready to Learn would become part of the BEF base and there would be \$200 million in new money.
 - Out of the \$200 million in new funds, \$18 million would be used to fund school districts who received increased Ready to Learn Block Grant funds in the 2018-19 fiscal year. Also, the Governor's Office has indicated that \$13.9 million would be used to ensure each teacher in Pennsylvania makes a minimum of \$45,000 a year. The remaining roughly \$168 million would be run through the BEF formula.
- Ready to Learn Block Grant: \$8 million would remain in this line-item for charter schools. This is the same appropriation to charter schools as the enacted 2018-19 General Fund Budget.
- Special Education: This line item is proposed to be increased by \$50 million.
- PreK Counts: The governor is proposing to increase this line item by \$40 million.
- Head Start Supplemental Assistance: The governor is proposing to increase this line item by \$10 million.
- Career and Technical Education: The governor is proposing to increase this line item by \$10 million.

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Higher Education

- Penn State, Pitt, Temple, Lincoln and Thaddeus Stevens College of Technology are all proposed to be level-funded in FY 2019-20 as compared to FY 2018-19.
- All current Community College line-items are also level funded.
- The governor is proposing to create a new program called PA Community College Tuition Assistance. The proposed \$8 million line-item will award one-time grants of \$2,500 to individuals who are students of or have graduated from a PA Community College and are currently working in the state.
- The Pennsylvania State System of Higher Education is proposed to receive an increase of \$7 million or 1.5%.

Health

- Eliminates funding for Regional Cancer Institutes, Lupus, Regional Poison Control Centers, Trauma Prevention, Epilepsy Support Services, Bio-Tech Research, Tourette Syndrome, ALS Support Services, and Leukemia/Lymphoma.
- Creates a new line-item called Disease Management and Education Programs. This will fund Cooley's Anemia, Adult Cystic Fibrosis, Hemophilia, and Sickle Cell.

Human Services

- For FY 2019-20, the department is proposed to receive a General Fund increase of \$927 million.
- The proposed minimum wage increase would save the Department \$36 million. There would be \$63 million of savings in Medical Assistance Capitation and approximately \$27 million in costs as a result of provider increases.
- There is a \$2.8 million initiative for Mental Health Services to provide home and community-based services for 45 individuals currently residing in state hospitals.
- Intellectual Disabilities-Community Waiver Program is proposed to receive \$15 million to provide home and community-based care for 865 individuals currently on the emergency waiting list.
- There is \$5 million in the Cash Grants line-item to fund the a new initiative called Parent Pathways. This pilot program will provide support services to 50 families enabling low-income parents to pursue postsecondary training.
- There is a proposed \$1.5 million for the PA Commission on Crime and Delinquency under Executive Offices to provide naloxone to first responders.

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Criminal Justice

- The Department of Corrections (DOC) and the Board of Probation and Parole (PBPP) continue to operate under a Memorandum of Understanding (MOU).
- Under the MOU, both agencies – the DOC and the PBPP – will remain separate from each other; however, the community supervision of parolees and all other reentry services will be combined under a new, centralized chain of command that everyone in those areas will report to and follow.
- Combined, the departments are proposed to receive an increase of \$17.3 million after accounting for \$50 million in supplemental appropriations.

State Police

- To supplement the State Police, the governor wants a fee per person from every municipality that is currently exclusively covered by the State Police. This fee will raise \$104 million for the State Police. The exact amount of the fee is unknown. The governor's budget book states it will be on a sliding scale based on municipality size.
- The budget proposal has \$9.7 million for three new classes of cadets.

Department of Agriculture

- The governor is proposing a new initiative called Agricultural Preparedness and Response. This \$5 million line-item will be used to help the Department make a quick response to agricultural disasters.
- Agricultural Excellence is proposed to increase by \$1.469 million to assist poultry, swine, sheep, lamb, goat, and rabbit agriculture, while helping to reduce barriers for small animal agriculture operations or small craft butcher shops.
- The governor wants to create a new \$4.5 million line-item called Agriculture Business and Workforce Investment to enhance dairy industry development, provide healthy school meals, reinstate the Ag and Rural Youth grants, and generate agricultural business development.
- The governor is proposing to add \$3 million to the Nutrient Management Fund to provide conservation excellence grants and expand Agrilink loan capacity.
- There is also a proposed \$2.6 million increase to the PA Preferred Program to modify outreach efforts to encourage transition to organic methods.

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Environment

- The governor is proposing to shift approximately \$23.5 million in costs for the Department of Environmental Protection from the General Fund to the Environmental Stewardship Fund and the Recycling Fund.
- The governor is proposing to shift approximately \$53 million in costs for the Department of Conservation and Natural Resources from the General Fund to the Oil and Gas Lease Fund, the Keystone Recreation, Park and Conservation Fund, and the Environmental Stewardship Fund.

Department of State

- The governor is seeking \$15 million for grants to counties for new election machines. This would be the first year of a five-year funding plan.
- There is also a proposal for \$2 million for a new voter registration database for election modernization.

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Governor's Proposed FY 19-20 General Fund Spending \$34.146 Billion

