

Governor Wolf Budget Proposal

House Appropriations Analysis

- Governor Wolf is proposing a \$36.06 billion budget for FY 2020-21.
- That is an increase of \$1.46 billion or 4.2% over the 2019-20 budget with the governor's proposed supplementals.
- The governor's budget proposal is an increase of \$2.05 billion over the enacted 2019-20 budget.

Revenue Changes and Fund Transfers

- Corporate Net Income Tax- Effective for tax years beginning on or after January 1, 2021, cap Net Operating Losses at 40% of taxable income accompanied by mandatory combined reporting. Effective for tax years beginning on or after January 1, 2021, the CNIT rate is proposed to be reduced from 9.99% to 8.99%. The CNIT rate is proposed to be further reduced to 8.29% in 2022; 7.49% in 2023; 6.99% in 2024; and 5.99% in 2025 and thereafter. The Administration estimates this would generate \$239.5 million in fiscal year 2020-21.
- The governor is proposing the following fund transfers:
 - Transfer to Tobacco Settlement Fund- \$115 million transfer of funds from the Cigarette Tax to the Tobacco Settlement Fund to replace monies deducted from the Master Settlement Agreement for deposit in the Tobacco Revenue Bond Debt Service Account.
 - Transfer to the Commonwealth Financing Authority- \$5.3 million additional transfer of funds from Sales and Use Tax to a restricted account for school construction debt service.
 - Transfer to Environmental Stewardship Fund- \$13.8 million transfer of funds from the Personal Income Tax to the Environmental Stewardship Fund for Growing Greener debt service payments.
 - Transfer to the Video Gaming Fund- \$2.2 million of video gaming terminal tax revenues redirected from the General Fund to the Video Gaming Fund.

Governor Wolf Budget Proposal

House Appropriations Analysis

Minimum Wage Hike

- The governor is proposing that starting July 1, 2020, 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, 2026.
- This minimum wage hike is estimated to generate an additional \$133.3 million in General Fund revenue in FY 2020-21 from additional personal income tax and sales and use tax collections.
- The governor estimates this will add \$10.7 million in DHS costs.
- The Independent Fiscal Office stated in their March 2019 *Analysis of Revenue Proposals* that a minimum wage increase to \$12 would result in the loss of 34,000 jobs.

Supplemental Appropriations

- **In total, the governor is seeking supplemental appropriations of \$587.77 million for FY 2019-20.**
- The Department of Corrections is proposed to receive \$89.9 million in supplemental appropriations. That \$89.9 million breaks down to \$14.9 million for Medical Care and \$75 million for State Correctional Institutions.
- The Treasury Department is proposed to receive a \$5 million supplemental appropriation for Cash Management Loan Interest. While the governor has this listed as a supplemental, it is actually an executive authorization.
- The Department of Human Services is proposed to receive \$492.87 million in supplemental appropriations. Those break down as follows:
 - \$165.82 million for Medical Assistance-Capitation
 - \$12.16 million for Medical Assistance- Workers with Disabilities
 - \$46.43 million for Medical Assistance- Long-Term Care
 - \$208.21 million for Medical Assistance- Community Health Choices
 - \$31.98 million for Home and Community-Based Services
 - \$4.79 million for Long-Term Managed Care
 - \$12.75 million for Services to Persons with Disabilities
 - \$10.44 million for Intellectual Disabilities Intermediate Care Facilities
 - \$16.04 million for Early Intervention.
 - There is also a combined \$15.737 million in negative supplementals in DHS.

Governor Wolf Budget Proposal

House Appropriations Analysis

Debt Service

- General Obligation debt service is proposed to increase by \$6 million in FY 2020-21.
- Proposed authorization for Cash Management Loan Interest in 2020-21 is \$15.0 million. Governor's Office assumes cash flow borrowing of \$2.5 billion in 2020-21 and possible need to go to public financial markets (as opposed to State Treasurer) to borrow.
- Governor proposed \$1.0 billion in funding through the Redevelopment Assistance Capital Project program for lead and asbestos remediation projects in schools but no bond issuance or debt service for this purpose is shown in the Governor's 2020-21 budget proposal.
- Budget proposes additional PLANCon School Construction bond issuance of approximately \$345 million in 2020-21.

PreK-12 Education

- PreK-12 education would increase by \$282 million.
- Of this amount, \$119 million would be for the Commonwealth's contribution to PSERS.
- Basic Education Funding: Governor Wolf is seeking to increase this line item by \$114.6 million.
 - \$100 million would be run through the BEF formula. The remaining \$14.6 million is for School Employees' Social Security payments.
- Special Education: This line item is proposed to be increased by \$25 million.
- PreK Counts: The governor is proposing to increase this line item by \$25 million.
- Head Start Supplemental Assistance: The governor is proposing to increase this line item by \$5 million.
- Transfer to Empowerment: The governor is proposing to create a new line item for \$7 million.
- The Governor's 2020-21 budget proposes comprehensive Charter School Law reform that the administration estimates will save school districts \$280 million per year. This includes applying the Special Education Formula to all charter schools, which will save an estimated \$147 million annually, and establishing a statewide cyber charter tuition rate, which is estimated to save \$133 million annually. The Governor believes these resources can be reinvested into:
 - Funding universal, free, full-day kindergarten; and meeting a minimum annual teacher salary of \$45,000, both of which are proposed as a part of the Governor's 2020-21 budget.

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House Appropriations Analysis

Higher Education

- Penn State, Pitt, Temple, Lincoln and Thaddeus Stevens College of Technology are all proposed to be level-funded in FY 2020-21 as compared to FY 2019-20.
- All current Community College line-items are also level funded.
- The Pennsylvania State System of Higher Education is proposed to receive an increase of \$12.95 million or 2.7%. This increase in funding is for PASSHE's System Redesign.
- The budget proposal seeks to repurpose \$204 million from the PA Race Horse Development Trust Fund to create the Nellie Bly Tuition Program. The grants will be awarded to targeted full-time students at PASSHE who agree to stay in Pennsylvania for the same number of years as they received the grant.
- The governor is proposing to increase PA Grants to Students by \$60 million. \$30 million of this increase will come from the General Fund and \$30 million will come from PHEAA. The governor's budget proposal is unclear if the PHEAA money is new money or a continuation of the current amount PHEAA contributes to the Grants to Students.

Human Services

- For FY 2020-21, the department is proposed to receive a General Fund increase of \$1.17 billion. This is on top of the \$493 million supplemental the governor is seeking.
- The governor's budget proposal has \$308 million in 2019-20 costs that they are seeking to rollforward to 2020-21. This is a way to avoid the supplemental request from going higher by shifting current year expenditures into the next fiscal year.
- The budget also assumes the loss of \$240 million in federal funds. This is a combination of federal support being lowered for individuals receiving benefits under the MA Expansion, a reduction in Pennsylvania's Federal Medical Assistance Percentage rate and a reduction in federal support for CHIP.
- The proposed minimum wage increase would cost the Department \$10.7 million in state costs.
- There is a \$1.25 million initiative for Mental Health Services to provide home and community-based services for 20 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 832 individuals currently on the emergency waiting list.

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House Appropriations Analysis

State Police

- To supplement the State Police, the governor wants to implement a service fee for every Commonwealth municipality, which will generate approximately \$136 million. Unlike prior proposals, the fee reportedly is predicated on station coverage costs based on incidents and coverage area and considers other factors like population and income. It is further weighted for municipalities benefitting from full- or part-time police services.
- The budget proposal has \$12.965 million for four new classes of cadets beginning in FY2020-21.

Department of Agriculture

- The governor is proposing a \$1 million initiative to increase the funding for the Pennsylvania Agricultural Surplus System and establish it as a new separate line item appropriation. This results in a shift of \$1.5 million from the State Food Purchase appropriation for a total amount of \$2.5 million for the new PASS line item, which will reportedly address food insecurity and cover the costs associated with harvesting, processing, packaging, and transporting surplus food products.
- The Governor also eliminates several line items supported by the General Assembly, such as new appropriations included in the current year to address operational issues like \$1 million for Livestock and Consumer Health Protection and \$2 million for the Animal Health and Diagnostic Commission.

DCNR

- DCNR is proposed to receive \$145.861 million in the General Fund - an overall funding increase of \$28.683 million or 24.5% compared to FY 2019-20. However, the agency's increase is partly because the agency received an additional \$11.405 million in augmentation funding from special fund transfers in FY2019-20.

Governor Wolf Budget Proposal

House Appropriations Analysis

Environmental Protection

- The agency is proposed to receive \$171.677 million in the General Fund - an overall funding increase of \$36.530 million or 27% compared to FY 2019-20. However, the agency's increase is partly because the agency received an additional \$28.795 million in augmentation funding from special fund transfers in FY2019-20.
- This budget also proposes a \$1 per ton increase to the tipping fee on municipal waste landfill deposits, specifically to generate approximately an additional \$22 million to replace funding for the Hazardous Sites Cleanup Fund.

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Governor Proposed FY 20-21 General Fund Spending \$36.06 Billion

