

# WEEK TWO

# BUDGET HEARING WRAP

## February 24-27, 2025



### General Overview:

The second week of budget hearings commenced with the pivotal Pennsylvania Department of Education (PDE), the Commonwealth's second-highest funded agency, accounting for 35% of the General Fund budget. This hearing provided one of the most memorable moments of the budget hearings. The PDE Secretary stated on the record, "I don't know that we can say that there's a one-to-one correlation that simply adding money is going to beget immediately higher test scores, I think it's a more complicated issue." This statement echoes the long-standing argument of House Republicans that funding increases will not solve the challenges facing students and families without needed reforms. Despite the Commonwealth's 'historic' levels of spending on education, the results reflect a failure to enact the student-centered policies that Republicans champion.

The committee also unearthed a concerning proposal from the Shapiro Administration. The administration suggests using the "Public School Facility Improvement" line-item to enable the installation of solar panels. This fund is intended for crucial school upgrades, such as roof replacements, new HVAC systems, and asbestos mitigation. Diversion of these funds to solar panel installation projects raises questions regarding whether these funds will be available for needed school maintenance and who will pay to remove solar panels at the end of their service life.

The PDE acting secretary offered cautionary words regarding school district budget reserves, "to deplete it to zero would be irresponsible." This statement from a key member of the Administration raises serious concerns because the governor's FY 2025-26 budget proposal seeks to deplete the General Fund balance to zero while setting the Rainy Day Fund on a trajectory toward depletion in the not-too-distant future.

The Department of State (DOS) confirmed that vehicle registration changes should not trigger Automatic Voter Registration. Committee members have several confirmed reports of voter registration addresses being changed through this process. More investigations are needed to understand why this is happening, but we all agree it should not be.

Officials from the Department of Labor & Industry (L&I) were questioned several times about why they continue to insist that installation workers for rural broadband deployment be classified as electrical line workmen. While the department continued to feign "impartiality," failure to pay accurate wages for broadband deployment will likely result in fewer projects being completed, potentially denying communities across the Commonwealth the vital access to the economic and educational opportunities that are only possible with broadband access.

**General Overview:** (continued)

Just a month into his term, Attorney General (AG) Dave Sunday appeared before the committee on Wednesday. AG Sunday shared that he intends to direct his office to focus on combating human trafficking, protecting citizens and seniors from fraud, and enforcing the laws of the Commonwealth as they are written.

The Pennsylvania Department of Agriculture (PDA) sat before the committee in a rushed hearing to accommodate the Judicial branch's hearing later that afternoon. Members focused their questions on the need for increased transparency in PDA's grant processes as its portfolio of funding opportunities has grown. Concerns were also shared that the administration is using PDA to support politically advantageous programs while losing focus on helping traditional farming operations, which are the backbone of the agriculture industry.

Pennsylvania Supreme Court Justices Christine Donohue and P. Kevin Brobson headlined the judicial branch of Pennsylvania's state government budget hearing. Our members focused their questions on how the courts plan to spend proposed funding increases, how the governor's proposal for recreational marijuana would impact them, and the long-term fiscal health of the judicial branch.

House Republicans expressed disappointment that the Department of Environmental Protection (DEP) and Department of Conservation and Natural Resources (DCNR) were consolidated into one hearing. When asked if this hearing arrangement indicates they could be consolidated with one agency to achieve efficiencies, both secretaries shared that their agencies are very different and better serve taxpayers separately.

Members once again expressed frustration that DEP continues to push both the Regional Greenhouse Gas Initiative (RGGI) and the new PACER/PRESS program, which is simply a legislative package to implement RGGI-like policies under a different name.

The biggest win from the hearing with DEP was related to day care centers. Day care centers in Pennsylvania are subject to increased DEP drinking water inspections and regulations once their facility serves at least 25 individuals, including children and staff. Many of these facilities arise out of need and are small businesses located in homes. Regulations effectively prohibit many well water connections and require installation of a new well or a public water line connection. In rural Pennsylvania, many areas do not have public water connections, and the cost of a new well can be prohibitive. The DEP acting secretary committed to finding a commonsense solution for these centers rather than immediately shutting them down.

DCNR continues to dispute the results of the Auditor General's audit of the Community Conservation Partnerships Program (C2P2). The audit said the program is open to "outside pressure and influence in awarding state grants." DCNR leaders said they stand by their comments in response to the audit.

**General Overview:** (continued)

The committee ended the week with the Department of Aging, where most of our focus was on the Area Agencies on Aging (AAAs). Most AAAs have pointed out that their level of funding in the FY 2024-25 budget was not increased. However, these impacts were not just felt by county-designated AAAs. According to the Aging secretary, 30 senior centers around Pennsylvania closed in addition to the reduction of other services for seniors. Members pressed the department on how it intends to address the reports of AAA's failure to investigate reports of elder abuse.

The third week of hearings will start with the Department of Corrections, which accounts for 6% of the General Fund budget, before moving to the Department of Human Services, which accounts for 41% of our budget, and conclude with the Budget Secretary.

**In the News:**

Center Square: Pennsylvania's prevailing wage could limit broadband expansion (Rep. Struzzi).

ABC 27: Pennsylvania lawmakers claim 'Fair Funding Formula' for schools is anything but 'fair' in budget hearings (Reps. Brown, Kail, Mustello, Struzzi, and Warner).

Center Square: From American decline to debate clubs, lawmakers look to the state (Reps. Barton, Nelson, Marcell, and Kutz).

Lancaster Farming: Republicans Question Shapiro's \$15M Boost for Pennsylvania's Ag Innovation Fund (Reps. Flood & Nelson).

WESA: Pa. education department considering options — 'none of them pretty' — if federal agency axed (Rep. Kail).

CHNI: Ag secretary: Pa. prepared for ongoing bird flu response, innovation grants (Rep. Krupa).

PA Capital-Star: Lawmakers question Pa. education head on impact of potential federal funding cuts (Rep. Krupa).

PhillyBurbs: Pennsylvania legislators debate return on investment from proposed schools budget increase (Reps. Mustello & Struzzi).

PennLive: Pa. Attorney General addresses federal funding, election fraud, hospital mergers in budget hearing (Rep. Nelson).

Center Square: State says new voter registration system needed before 2028

**PDE Key Takeaways:**

- “It’s more complicated than simply adding additional funding,” the PDE acting secretary stated, shedding light on the intricate nature of school funding and why increases do not directly correlate to better test scores.
  - The acting PDE secretary conceded that more funding does not equate to better student outcomes. When asked what parents with students in failing schools can do right now to find a school that fits their needs, the acting secretary pointed to the Opportunity Scholarship Tax Credit Program (OSTC) program, a program championed by Republicans in the General Assembly over the past several years.
  - Committee members expressed frustration with the funding disparity among the various rural, suburban and urban districts, highlighting the urgent need for a more equitable system.
  - Many school districts are sitting on significant budgetary reserves. The PDE acting secretary argued that school districts need to keep reserves in the event of a late state budget. However, the Shapiro funding plan does not consider district reserves. It is worth noting the governor is once again proposing to spend the state’s General Fund surplus and now the Rainy Day Fund to balance this budget. The Shapiro Administration’s stance appears to be in conflict with the acting PDE secretary’s statement on reserves that, “to deplete it to zero would be irresponsible.”
- Members expressed frustration over the incomplete financial statements presented as part of Governor Shapiro’s budget. PDE’s budget projections unrealistically show a flatlining of PreK-12 education spending over the next four years.
  - The governor’s PDE budget projections continue the trend of underestimating expenditures in future years, thereby providing the illusion of a balanced five-year financial statement.
  - PDE indicated that flat projections for future years are intended to allow the General Assembly to make decisions on funding levels. Committee members suggested this means the governor will support whatever funding levels the General Assembly chooses to allocate in the coming years.
- When asked what data was used to determine that a cyber charter school should be reimbursed \$8,000 per student in the governor’s budget, PDE could not provide specific data behind this decision.
- Committee members asked for an update on the number of students on a waitlist for Career and Technical Education opportunities. PDE did not have any information to share at the hearing and has pledged to follow up.
- Committee members questioned the rationale for using funds from the Public School Facility Improvement line-item for solar projects rather than school improvements such as roof replacements, HVAC system, lead paint, and asbestos mitigation.
- Committee members expressed concerns about school districts’ management of pupil transportation dollars, especially for charter school students.

**DOS Key Takeaways:**

- The DOS Secretary stated that Automatic Voter Registration (AVR) should not be applied to vehicle registration.
  - There have been multiple reports of individuals having their voter registration changed based solely on a vehicle registration update through PennDOT. On the record, the DOS denied this is happening. This issue requires further legislative inquiry into how and why this has happened and whether it is still happening.
  - In September 2024, the Supreme Court ruled that PennDOT and DOS had no statutory authority to link voter registration to vehicle registration. This ruling has significant implications for the future of voter registration policies in Pennsylvania.
  - The DOS could not provide a cost-savings estimate for the AVR program, a lack of transparency that raises questions about the program's financial implications. The governor claimed there would be cost savings, but the administration apparently cannot quantify them.
- Committee members inquired about updates to the SURE system and if the state has recovered funds from a contractor who is no longer working on the update. DOS testimony revealed that refunds have not been received for monies paid prior to the beginning of the Shapiro Administration.
- DOS could not quantify the costs of special elections but confirmed that the most cost-efficient way to conduct them is in conjunction with primary and general elections.
- While professional licensure wait times have improved, members pressed DOS to do more to help licensees with questions about scope of practice and general compliance questions.
- During the 2024 election, many voters received a third-party mailer that included Governor Shapiro's signature that was designed to look like official government mail urging them to visit "vote.pa," a website run by a political electioneering organization designed to impersonate the official government site "vote.pa.gov." This issue raised concerns about voter manipulation and the need for transparency among government and non-government entities. DOS agreed that platforms like "vote.pa" should do more to differentiate themselves from official government websites, agreeing that the mailers with the governor's signature were misleading.

**L&I Key Takeaways:**

- While L&I has made strides in reducing wait times for Unemployment Compensation (UC), members' district offices continue to receive complaints related to UC call centers. Department leaders are aware there are still challenges that need to be addressed.
- Committee members expressed concerns to L&I over the Department's refusal to recognize the appropriate classification of the telecommunications workers who will install broadband infrastructure through the \$1.16 billion in federal funding.
  - In a 2023 letter, L&I said it "stands by" its determination that telecommunications workers should be classified as electrical line workers, despite the fact that these are entirely different jobs. The difference in wages and the delay in project deployment due to appeals will delay or deny broadband access to underserved communities and is likely to result in fewer projects being completed.

**L&I Key Takeaways:** (continued)

- Members shared concerns with the governor's proposal to raise the minimum wage to \$15 per hour. In addition to being detrimental to small business competitiveness, members raised concerns that implementation would result in job losses and fewer opportunities for entry-level jobs that many students and young people rely on to learn life skills.
- The prevailing wage threshold in Pennsylvania has not been increased since 1963. Members asked why L&I is advocating to index minimum wage to inflation but makes no such provision for prevailing wage.
- Committee members were frustrated to hear L&I could not share information on the number of illegal immigrants employed in Pennsylvania or their impact on Pennsylvania's job market and wages

**OAG Key Takeaways:**

- AG Sunday articulated his commitment to keeping his office above politics and not using the criminal justice system to advance a political agenda.
- The AG echoed the committee's deep-seated concerns about human trafficking in Pennsylvania and discussed actionable ways to combat this scourge in the Commonwealth.
  - AG Sunday shared his office can use more tools to prosecute human traffickers and who use trafficking victims in the commission of other crimes.
  - Funding to combat human trafficking has been partly provided through private grants, but more state funding would allow for more resources.
  - Often, human trafficking cases come out of drug-related offenses.
- AG Sunday shared he has concerns with the governor's proposal for recreational marijuana, most notably the issue of driving under the influence.
- Committee members expressed dissatisfaction over the two-year statute of limitations on voter fraud cases in Pennsylvania. AG Sunday did not object to increasing the statute of limitations and committed to prosecuting voter fraud.
- AG Sunday reaffirmed his commitment to a robust consumer protection unit that protects seniors and defrauded citizens. Sunday also affirmed to committee members he will have a business-friendly office and keep their focus on bad actors.
- Committee members also shared concerns about crime levels in Philadelphia. AG Sunday stated his office is continuing to work with law enforcement to keep citizens and visitors safe.

**PDA Key Takeaways:**

- Committee members expressed concerns that increased investments in Pennsylvania's agriculture programs are not necessarily having their desired effect.
  - As the governor's policies shift PDA into more of a grant award agency, members shared concerns the department needs to add more transparency to grant applications and awards.
- The governor's proposal, which calls for cutting Centers of Excellence in key areas of agriculture, has raised significant concerns among committee members about potential negative impacts on the agriculture industry.
- Avian Influenza has reached Pennsylvania, causing havoc for commercial and small farms. Members expressed concerns that the cuts in the budget for the Animal Health and Diagnostic Commission are ill-timed given the current crisis. The secretary assured the committee that PDA has the resources needed to combat avian flu.

**PDA Key Takeaways:**

- Members shared concerns with the governor's recreational marijuana program taking away from the other important work PDA should be focused on. One concerning discovery is that while the State Police have not been consulted regarding the governor's plan for recreational marijuana, PDA has, raising questions regarding the administration's priorities in crafting this proposal.
- Regarding Pennsylvania's crisis in the availability of veterinarians, committee members asked PDA leaders how they plan on addressing this with their budget request for their new Veterinary Training and Services Grants.
  - Members pressed the PDA secretary to admit that while this will now be a competitive grant to avoid the non-preferred appropriations process for the University of Pennsylvania School of Veterinary Medicine, they are currently the only school eligible for the grant.
- Committee members also questioned the PDA secretary on how they are supporting agricultural digesters, a significant initiative that creates energy resources from agricultural byproducts.

**Judicial Branch Key Takeaways:**

- The Pennsylvania Judicial branch was the victim of a massive cyber-attack, and members questioned the courts about how they are working to improve their cyber security.
- Committee members shared their concerns with courts on recreational marijuana. While the justices acknowledged that there will be "a lot of collateral consequences" of enactment, they declined to offer recommendations on how they intend to navigate the issues likely to face the justice system.
- The Pennsylvania Justice Network (JNET) is an invaluable tool used by judges and law enforcement. The court's budget proposal requested a 40% increase for the JNET line item. When questioned, the justices asserted that this increase reflects a necessary investment to keep the system operational.
- Committee members also raised concerns about the sustainability of the judiciary branch's reliance on fees to fund their operations. This issue poses potential challenges that need to be addressed moving forward.

**DCNR Key Takeaways:**

- DCNR was recently audited by the Auditor General, who found that the Community Conservation Partnerships Program (C2P2) is open to "outside pressure and influence in awarding state grants."
  - When pressed on their reactions, DCNR did not express any plans to change their process or admit to any concerns about their grant awards.
- The number of state parks continues to increase, as do the costs of maintenance, upgrades, and potential uses for each park.
  - Members discussed DCNR's stated \$1 billion backlog in infrastructure and their recommendations for sustainable funding.
  - DCNR also has a concerning trend of making decisions impacting private property in the vicinity of state lands without engaging the local community, such as in Big Elk Creek Park and the Spruce Creek area in Huntingdon County.

**DEP Key Takeaways:**

- Committee members expressed frustration with the governor's insistence on pushing an energy tax that has already resulted in the loss of a power plant in Pennsylvania while threatening future growth. The governor has refused to withdraw his lawsuit seeking to implement the Regional Greenhouse Gas Initiative (RGGI). Furthermore, the governor has proposed a Pennsylvania-based carbon tax, the Pennsylvania Climate Emissions Reduction Act (PACER), which would implement RGGI-like policies under a different name.
  - The DEP acting secretary said the governor supports an energy policy that creates jobs, lowers emissions, and reduces consumer prices. House Republicans' agenda to unleash Pennsylvania's energy sector would accomplish all three goals. Unfortunately, the administration continues to insist on enactment of RGGI and energy tax proposals like PACER and PRESS, which will lead to higher prices for consumers, fewer jobs for Pennsylvanians, and will disincentivize the deployment of cleaner new power generation in the Commonwealth.
- Day care centers in Pennsylvania are subject to increased DEP drinking water inspections and regulations once their facility serves at least 25 individuals, including children and staff. Many of these facilities arise out of need, and are small businesses located in homes. The regulations effectively prohibit many well water connections, and require installation of a new well or a public water line connection. In rural Pennsylvania, many areas do not have public water connections, and the cost of a new well can be prohibitive. The DEP committed to finding a commonsense solution for these centers rather than immediately shutting them down.
- Committee members asked for an update on DEP's permitting process and the improvements the agency is making to issue permits faster. While progress has been made, more must be done to change DEP's culture in a manner that promotes business growth and competitiveness in the Commonwealth.
- Many areas of Pennsylvania have been working to mitigate the presence of PFAS chemicals in drinking water. Members asked what steps are being taken to increase testing and improve mitigation efforts.

**Aging Key Takeaways:**

- In the FY2024-25 budget, AAAs were level funded.
  - Members pressed the department on how they can help AAAs use their federal funding more efficiently.
- Committee members expressed concerns over the failure of several AAAs to properly investigate cases of elder abuse and neglect, citing recent feature stories that have been reported in the media:
  - Several AAAs have been found to be woefully behind on elder abuse investigations, but the department seems unwilling to use any punitive actions on bad performers as reported by numerous media outlets.
  - The department seems unwilling to use punitive actions to express the seriousness of the failures at these AAAs. Committee members expressed that more must be done to improve elder abuse investigations.
- Department of Aging Secretary Jason Kavulich said the current funding levels, which the governor signed into law, have resulted in the closing of 30 senior centers around Pennsylvania and the reduction of other services for seniors.



**Notable Q&A:**



The PDE Acting Secretary admits to Rep. Marci Mustello that more education funding does not correlate to better test scores.

Rep. Eric Davanzo asks for the rationale behind using Public School Facility Improvement dollars for solar panels.



Rep. Ryan Warner asks which school districts currently have budgetary reserves and why reserves are not an aspect of the state funding formula.

Rep. Kristin Marcell questions DOS on how it is working to ensure voters know when third parties are attempting to collect their information under the guise of voter registration or mail-in ballot applications.



Rep. Jamie Barton inquires if L&I's broadband rate case means electrical linemen will be installing broadband cable or if other workers will be paid this rate regardless of their training.

Rep. Torren Ecker questioned why L&I is seeking to raise the minimum wage rather than allocating resources to train and place people in high paying jobs.



Rep. Eric Nelson inquires if AG Sunday believes the voter fraud statute of limitations should be increased from two years.

Rep. Thomas Kutz discusses combating Human Trafficking with AG Sunday.



**Notable Q&A:**



Aging Secretary Kavulich admits current funding levels have resulted in fewer services and the closing on 30 senior centers to Rep. Marla Brown.

Rep. Ann Flood asks what is being done to help with avian flu outbreaks around the Commonwealth.



Rep. Charity Krupa presses DCNR on the need to implement changes to the Community Conservation Partnership Program recommended by the Auditor General.

Noting dissatisfaction with combining DEP and DCNR into one hearing. Rep. Ryan Warner asked if it makes sense to combine the two agencies. Both secretaries noted their agencies are very different.



Rep. Jeff Olsommer receives a commitment from DEP to use common sense in regulating rural day care centers with well water.

Rep. Ann Flood asks how the DEP is working to address PFAS in drinking water.



Rep. Josh Kail discusses merit-based selection process for judges instead of direct elections.