

2008-09 PA State Budget: Summary and Analysis

July 3, 2008

House Republican Appropriations Committee

Budget Overview

- **2008-09 General Fund Spending:** \$28.26 Billion
 - 3.98 Percent Growth (\$1.08 Billion Increase)
- **Rendell Budget Proposal:** 4.2 Percent Growth (\$28.34 Billion Total Spending).
- **House Democrat's Budget:** 4.8 Percent Growth (\$28.5 Billion Total Spending).
- **2008-09 State Budget:** 3.98 Percent Growth (\$28.22 Billion Total Spending).
- **Inflation** This budget (3.98 Percent growth) is below the rate of inflation, which is marked at 4.4 Percent for the 2008-09 fiscal year.
 - Inflation data updated in June 2008.

Other Notable Details

- **Preserved the state's Rainy Day Fund.**
 - The \$744 Million RDF balance remains intact, but there will be no RDF transfer this year.
 - House Democrats and the Rendell Administration proposed to use the RDF to increase spending. House Republicans opposed this plan.
- **No new taxes. No new fees.**
 - Governor Rendell's original budget called for \$230 Million in various new taxes.
- **No Capital Stock and Franchise Tax phase-out slow down.**
 - Governor Rendell wanted to slow the phase out, which would have increased business taxes by \$40 Million in FY 2008-09.
 - The continued phase out of the Capital Stock and Franchise Tax – at the current rate of 1 mill a year – will save businesses \$270 Million in FY 2008-09.
- **Across the board 1.3 Percent (minimum) cuts to non-mandated items.**
 - Total of \$548 Million in cuts from the Rendell Budget proposal.
- **Improved school district funding.**
 - All 501 school districts will receive a minimum increase of 3 percent in the basic education subsidy – up from the 1.5 Percent minimum in the Rendell Budget proposal. The new distribution will increase funding for 238 schools districts.
- **Supporting local communities through state programs.**
 - Many of the programs annually supported in the budget were cut or eliminated from the governor's original proposal. Several of these initiatives supporting efforts to fight crime, improve local economies and address health care needs were either fully or partially restored in this budget proposal.

Overview of Expenditures

Pre K- 12 Education

- **Basic Education Subsidy:** Nearly \$5.23 Billion will be appropriated to Pennsylvania's 501 school districts. This represents a \$274.7 Million increase (5.5 Percent) over FY 2007-08.
 - The new state education funding formula will not follow the six-year plan the governor originally proposed. A one-year formula will be used instead.
 - The \$34 Million in additional funding originally proposed for the Philadelphia school district in the Rendell budget proposal was not included in the final budget.
- **Special Education:** Nearly \$1.03 Billion will be afforded to schools to support students with special needs in the classroom. This represents a 16.8 Million increase over the 2007-08 state budget.
- **Accountability Block Grants:** School districts will receive \$271.4 Million through the block grant program in this budget. This represents a \$3.6 Million reduction in funding from the 2007-08 state budget.
- **Tutoring Programs:** The state will provide \$65.1 Million for tutoring programs this year, which represents an \$858,000 reduction from the 2007-08 state budget.
- **Pre-K Counts:** This early-childhood education initiative will receive \$86.4 Million in this budget, which increases the programs funding by \$11.4 Million over last year.
- **Head Start Assistance:** Another of the state's early-childhood education initiatives, this program will receive \$39.5 Million in this budget. This is a \$520,000 reduction from the 2007-08 state budget.
- **Early Intervention:** This program provides assistance to children with special needs at an early age. Funding for this initiative is provided from both the Department of Education and the Department of Public Welfare.
 - Education Funding: \$185.1 Million (\$12.03 Million Increase).
 - DPW Funding: \$118.3 Million (\$1.3 Million Decrease).

Education Support Programs

- **Classrooms for the Future:** This program, which provides funding to school districts throughout the state to add laptop computers to classroom desks, will be provided \$45 Million in this year's budget. This is a \$45 Million reduction from the 2007-08 state budget.
- **Science In Motion:** More than \$2.7 Million will be provided to this education program, which helps rural schools receive science education support from state colleges and universities. This represents a \$162,000 increase over the 2007-08 state budget. Governor Rendell proposed to eliminate funding for this program.
- **Science: It's Elementary:** This program, which provides science education support to elementary school students, will receive \$14.5 Million this year – a \$1 Million increase over the 2007-08 state budget.

Education Support Programs (continued)

- **Public Libraries:** Pennsylvania libraries will receive \$75.8 Million in this budget. This is the same amount appropriated in the 2007-08 state budget.

Higher Education

- **State System of Higher Education:** More than \$519.2 Million will be provided for the state's 14 state universities. This represents nearly a \$15 Million increase over the 2007-08 state budget.
- **Community Colleges:** Community colleges statewide will receive a portion of the state's \$280.7 Million set aside to support the schools' educational needs. This represents a \$6.9 Million increase over the 2007-08 state budget.
 - \$236.2 Million for Community Colleges.
 - \$44.5 Million for Community Colleges Capital Funds.
- **PHEAA:** Nearly \$472.9 Million will be afforded to PHEAA to support students' higher education needs. This represents a \$20.9 Million increase over the 2007-08 state budget.
 - \$407.4 Million of the abovementioned funding will go to student grants.
 - The governor proposed \$397.8 Million in funding for PHEAA in his proposal.
- **State-Related Universities:** Pennsylvania's four state-related schools will be afforded the following funding:
 - **Penn State:** \$338.4 Million (\$4.1 Million increase).
 - **Pitt:** \$170.7 Million (\$2.6 Million increase).
 - **Temple:** \$175.5 Million (\$2.6 Million increase).
 - **Lincoln:** \$14.5 Million (\$707,000 Increase).
- **Technical Colleges:** This appropriation will help establish technical college programs in underserved areas of the state with a total of \$1 Million. This is \$1 Million less than the amount appropriated in the 2007-08 state budget.

Public Welfare

- **Medical Assistance Program (The Big Four):** More than \$4.9 Billion for the state's four primary Medical Assistance program components. This represents approximately \$380 Million more than the 2007-08 state budget.
 - Included is a 1 Percent rate increase for nursing homes.
 - The Rendell Budget did not include the above increase.
 - This budget does not implement the pharmaceutical "carve out" proposed by the Rendell Administration.
 - The budget does include delaying another payment to the Managed Care organizations (MCOs).
 - This budget also implements a hospital assessment for Philadelphia Hospitals.
- **Cash Grants:** The state will provide \$266.1 Million to low-income residents through the cash grant program. This represents a \$1.6 Million increase over the 2007-08 state budget.

Public Welfare (continued)

- **Hospitals:** This budget provides an array of financial support to hospitals throughout the state including the following:
 - Burn Centers: \$5.5 Million. (Not funded in the Rendell Budget proposal).
 - Critical Access Hospitals: \$5.2 Million. (Not funded in the Rendell Budget proposal).
 - Neonatal and OBGYN Services: \$6.96 Million (Not funded in the Rendell Budget proposal).
 - The budget calls for the implementation of a new APR-DGR payment system for hospitals.

- **Child Care Assistance:** Nearly \$224.1 Million is provided in the budget to support this program which helps subsidize TANF and former TANF families' child care expenses. This represents a \$24.4 Million increase over the 2007-08 state budget. Prior to FY 2007-08, this was included in the Cash Grants line.

- **Child Care Services:** Another child-care related program, this appropriation will provide \$171.7 Million to low-income families to help them pay for day care costs. This total represents an increase of \$26.9 Million over the 2007-08 state budget.

- **Mental Retardation Services:** The state provides service to individuals with special needs due to mental retardation. The programs are as follows:
 - **Community MR Services:** \$914.7 Million (\$46.7 Million Increase).
 - **Intermediate Care Facilities for Mentally Retarded Individuals:** \$138 Million (\$12.5 Million Increase).
 - **State Centers for the Mentally Retarded:** \$103.2 Million (\$4 Million Decrease).

- **Mental Health Services:** The state will provide \$732.7 Million to help support state mental hospital and community residents living with mental health conditions. This represents an increase of \$9 Million over the 2007-08 state budget.

- **County Child Welfare:** More than \$1 Billion will be provided to counties statewide to help aid in the care of abused, at-risk and neglected children. This represents an increase of \$87.1 Million over the 2007-08 state budget.

- **Human Services:** A 1 Percent COLA is provided to the following programs: Community Mental Health; Community Mental Retardation; Early Intervention; Autism Intervention; Pennhurst Dispersal; Elwyn Institute; Behavioral Health Services; Child Welfare; Community Family Centers; Child Care Services; Child Care Assistance; Nurse Family Partnership; Women's Services Programs; Domestic Violence; Rape Crisis; Breast Cancer Screening; Legal Services; Homeless Assistance; Services for Persons with Disabilities; and Attendant Care.

- **Human Services Development Fund:** The state will provide \$35 Million to help counties throughout the state fill funding gaps that exist in their local human services delivery system. This appropriation maintains funding from the 2007-08 state budget.
 - The Rendell Budget proposed cutting this fund by nearly \$1.3 Million.

- **Autism Intervention Services:** The state will provide nearly \$20.1 Million for services supporting individuals with Autism and their families. This represents a \$10.1 Million increase over the 2007-08 state budget.

- **New Physician Practice Plans:** University-affiliated physician plan appropriation allows additional funds through higher payments using state and federal matching dollars. Those institutions affected are Drexel University, Thomas Jefferson University and University of Pennsylvania.

Agriculture

- **Department of Agriculture:** The state will provide more than \$82.1 Million for agricultural initiatives through the department. This represents a \$948,000 increase over the 2007-08 state budget. Included in the department's funding are the following:
 - **Crop Insurance:** In the event of serious crop damage, \$1.75 Million will be set aside to support state farmers. This is a \$250,000 increase over the 2007-08 state budget.
 - **Agricultural Research:** The state will provide nearly \$1.9 Million for research initiatives. This represents a \$530,000 reduction from the 2007-08 budget.
- **Penn State Agricultural Programs:** Additional state funding will be provided for agricultural programs through Penn State University.
 - **Agricultural Research:** \$25.6 Million (\$1,000 Decrease).
 - **Agricultural Extension Services:** \$30.4 Million (Level Funded)
 - The Rendell Budget proposal cut this appropriation by \$597,000.

Environmental Protection

- **DEP:** The state Department of Environmental Protection will be provided \$229 Million in this budget, for an increase of \$8.5 Million. Among the programs funded through this department are the following:
 - **Environmental Program Management:** This initiative provides funding for the department's cleanup and program maintenance efforts. Funding in this budget is marked at \$41.8 Million, for an increase of \$1.9 Million.
 - **Environmental Protection Operations:** The state will provide \$102.1 Million for environmental protection operations statewide in the 2008-09 budget. These operations help maintain regional clean up and protection operational costs. This represents a \$3.6 Million increase over the 2007-08 state budget.
 - **Flood Control Projects:** The state will provide more than \$5.7 Million to support communities throughout the state that are prone to flooding. This represents a \$2.9 Million increase over the 2007-08 state budget.
 - **Safe Water Grants:** This program is designed to help communities maintain safe drinking water and addresses other water safety issues. It is slated to receive \$11.7 Million in this budget, which is a \$300,000 reduction from last year.

Health Programs

- **Department of Health:** The budget will provide a total of \$291.9 Million to support a vast array of health-care related initiatives. This funding represents an \$8.6 Million reduction from last year's budget. Included in this department are the following programs:
 - **Antiviral Stockpile:** The budget will provide more than \$5.5 Million in funds to help build antiviral medicines to fight pandemic diseases. This funding is for the second year of the state's plan to prepare for a potential pandemic by purchasing anti-virals.
 - **Cancer Programs:** This budget provides funding for cancer-support programs through the Department of Health, which total more than \$7 Million.
 - Several of these programs were cut in the governor's budget proposal and were restored (fully or partially) in the final spending plan.
 - New \$750,000 state appropriation for cervical cancer screening.
 - Regional Cancer Institutes are maintained at the 2007-08 funding level of \$2.4 Million.
 - The Rendell Budget would have reduced this appropriation.
 - **Assistance to Drug and Alcohol Programs:** The state will provide \$42.6 Million to program designed to help individuals fight alcohol and substance abuse. This funding matches the amount appropriated in the 2007-08 state budget.
 - **Other Health Programs:** The following programs also were afforded funding in this budget.
 - **Bio-Technology Research:** \$5.2 Million.
 - **Tourette Syndrome:** \$100,000
 - **Newborn Hearing Screening:** \$493,000
 - **Smoke-Free PA Enforcement:** This is a new appropriation that coincides with the state's new smoking-ban. It will be funded at \$2 Million in this budget.
 - **RX for PA:** This program, which is covered under several state departments, is slated to receive more than \$20 Million in this year's budget.

Public Safety and Anti-Crime Programs

- **Office of Attorney General:** The budget will provide the Attorney General's office with \$94.5 Million, for an increase of \$673,000.
 - **Anti-Drug Efforts:** Nearly \$40 Million will be set aside to help the Office of Attorney General fight drug-related crime at both the state and local levels.
 - **Child Predator Unit:** Funding for this specially-trained group of law enforcement officials, which is designed to address the growing issue of child predators on the Internet, will total nearly \$1.5 Million in this budget – an increase of \$29,000.

Public Safety and Anti-Crime Programs (continued)

- **Community-Based Law Enforcement Efforts:** Several million dollars will be provided to initiatives throughout the state designed to help communities address criminal activity via prevention, enforcement and education efforts. Included in these programs are the following:
 - **Weed and Seed Program:** \$3.1 Million.
 - **Intermediate Punishment Drug and Alcohol Treatment:** \$17.6 Million.
 - **Drug Education and Law Enforcement:** \$1.5 Million.
 - **Research-Based Violence Prevention:** \$4 Million.
 - **Police on Patrol:** \$10 Million.
 - **Law Enforcement Activities:** \$6.2 Million.
 - **Safe Neighborhoods:** \$3.3 Million.
 - **NOTE:** Several of these programs were either cut or eliminated in the governor's budget proposal.
- **State Police:** The PA State Police will receive more than \$186.4 Million in this budget, which represents a \$3.4 Million increase over last year. Included in the state police appropriation are the following programs:
 - **Municipal Police Training:** \$4.9 Million.
 - **Gun Checks:** \$4 Million.
- **Corrections:** The state Department of Corrections will receive more than \$1.6 Billion in this year's budget to support the state's 26 prisons/correctional institutions. This accounts for a \$39.5 Million increase over last year. This is one of the fastest growing portions of the state budget as a result of a continually growing prison population.

Economic Development and Job Training Programs

- **DCED:** The Department of Community and Economic Development will receive a total of \$617.8 Million in funding for a variety of programs. This total is a \$13.3 Million reduction from last year's budget. DCED programs include the following:
 - **Industrial Development Assistance:** The program provides grants to local economic development agencies throughout the state. This year, the program will receive more than \$4 Million in funding, which is a \$230,000 reduction from last year's budget.
 - **Small Business Development Centers:** This program, which helps provide approximately one million small businesses throughout the state with access to pro-growth business support programs. Funds for this program total more than \$7.3 Million, which is a reduction of \$74,000 from last year.
 - This restores funding that was cut in the Rendell Budget proposal.
 - **Local Development Districts:** This appropriation funds seven Local Development Districts in the 52 Appalachian counties of Pennsylvania. Local Development Districts assist small and medium sized entrepreneurial enterprises. Funding for this program totals more than \$6 Million in this budget, which represents a \$106,000 reduction from last year.
 - This restores funding that was cut in the Rendell Budget proposal.

Economic Development and Job Training Programs (continued)

- **PENNTAP:** This program Assists PA companies -- primarily small businesses -- improve their competitiveness by providing technical assistance in areas such as information technology. Most services are free to the businesses. Funding this year will total \$75,000, which maintains the FY 2007-08 appropriation level.
 - This restores funding that was cut in the Rendell Budget proposal.
- **Labor and Industry:** Funding for the department in this budget will total \$128.3 Million, which represents an increase of \$5.5 Million. These funds will be directed to a number of initiatives related to job training and employment development. Programs included in this department include the following:
 - **Centers for Independent Living:** These centers provide peer counseling, independent living skills training and individuals and systems advocacy to Pennsylvanians with disabilities. Total funding this year will total \$2.3 million, which represents a \$23,000 increase over the 2007-08 state budget.
 - This restores funding that was cut in the Rendell Budget proposal.
 - **New Choices/New Options:** This program provides career development services for single parents, displaced homemakers, single pregnant women and individuals interested in nontraditional vocational-technical education. This appropriation was moved from the Department of Education to the Department of Labor and Industry in this budget. Total funding comes to \$2.5 Million, which represents a \$24,000 reduction from last year.
 - This restores funding that was eliminated in the Rendell Budget proposal.
 - **The Employment Services:** This appropriation provides services to adult, youth and dislocated workers. Services may include basic skills training, work experience, literacy programs and GED preparation. Funding this year will total \$10.5 Million, which represents a \$155,000 decrease from last year.
 - This restores funding that was eliminated in the Rendell Budget proposal.

Other Notable Budget-Related Notes

- **General Obligation Debt Service:** The state will pay \$904.5 Million in general obligation debt service, which represents an increase of \$33.9 Million over last year.
- **CFA Debt:** The budget will provide \$62.5 Million for debt related to the Commonwealth Financing Authority. This is an increase of \$15.4 Million over last year.
- **House of Representatives:** The House will reduce expenditures in FY 2008-09 by \$2.5 Million.
- **Senate:** The Senate will also reduce expenditures in this budget by \$1.3 Million.

2008-09 General Fund Budget

Expenditures by Category

	2008-09	Percent of Budget
Pre-K - 12 Education	\$9,774,967,000	34.6%
Higher Education	\$2,097,403,000	7.4%
Public Welfare	\$10,268,452,000	36.3%
Debt Service	\$966,983,000	3.4%
Corrections	\$1,639,655,000	5.8%
All Other Expenditures	\$3,516,970,000	12.4%
TOTAL SPENDING	\$28,264,430,000	100.0%

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