Pennsylvania 2018/19 BUDGET BRIEFING
Report on Key Issues
House Appropriations Committee (D)
JOE MARKOSEK, DEMOCRATIC CHAIRMAN

2018/19 Budget – In Depth Analysis

Updated – 8/23/18

Components of 2018/19 Budget Package

For the first time since 1999, a package of budget-related legislation became law well in advance of the start of a new fiscal year.

The 2018/19 package includes the "housekeeping" appropriations for agencies (PUC, Gaming Control Board, small business advocate, SERS and PSERS, etc.), as well as the non-preferred appropriations to charitable or educational institutions not under the absolute control of the commonwealth.

The 2018/19 budget includes the following Acts, all signed June 22 by Gov. Wolf:

- General Appropriations (Act 1A/HB 2121)
- "Housekeeping" Appropriations (Acts 2A-10A/HBs 2078-2086)
- Non-Preferred Appropriations (Acts 11A-15A/HBs 2242-2246)
- Fiscal Code (Act 42/HB 1929)
- Human Services Code (Act 40/HB 1677)
- Public School Code (Act 39/HB 1448)
    - School Safety Bill (Act 44/SB 1142)

The 2018/19 budget package does not include changes to the Administrative Code and only contains a limited change to the tax code. Additionally, a capital budget was not included, which is required by the Pennsylvania Constitution to be adopted "each ensuing fiscal year."

Contents

Total Spending and Revenue Estimates

Total state General Fund expenditures in the General Appropriations Act are $32.7 billion and estimated net General revenues available in 2018/19 are expected to be slightly higher than $32.7 Billion, yielding a projected positive ending balance. The spending increase is almost $719 million, or 2.2 percent, more than 2017/18 (after accounting for supplemental appropriations in 2017/18).

The state General Fund official revenue estimate certified by the budget and revenue secretaries is almost $34.0 billion, which is the amount of state General Fund tax and non-tax revenue expected to be collected in 2018/19 before adjusting for refunds, prior-year lapses and other changes. According to Independent Fiscal Office estimates, growth in state General Fund tax revenue is expected to be more than $1.2 billion, or 4.0 percent, from 2017/18 to 2018/19.

The revenue estimates contain no tax increases. Although the governor's Executive Budget proposed a severance tax to raise $248.7 million, **this spending plan does not rely on a severance tax,** nor does it assume the governor's proposal to implement mandatory combined reporting for corporate net income taxes (closing the Delaware loophole). The governor's proposal would have reduced the CNI rate over several years.

The only tax code provision that passed as part of the budget package is a change to the corporate net income tax concerning the treatment of bonus depreciation to respond to federal changes made in the Tax Cut and Jobs Act of 2017. See the section on "Bonus Depreciation," following, for more detail.

Focus is customarily placed on General Fund state expenditures and revenues but a reminder is in order that state expenditures from the General Fund represent roughly two-fifths of Pennsylvania's combined operating budget. Federal money also supports General Fund expenditures and contributes to many other special funds. This Budget Briefing highlights certain special funds that support commonwealth programs when that is especially helpful to a more complete understanding of the budget picture. A few key examples of special funds that contribute to the combined budget include:

- the Motor License Fund (transportation),
- the Lottery Fund (senior citizens),
- the Tobacco Settlement Fund (human services),
- the Oil and Gas Lease Fund (environment).

Significant one-time revenue is expected from gaming licenses for interactive gaming (iGaming) and sports wagering. The administration's official estimate assumes $170 million in non-recurring revenue from gaming license fees ($100 million from iGaming and $70 million from sports wagering). Additionally, the official estimate assumes $11.2 million from the sports wagering tax. This tax revenue, which is recurring, represents a partial year and will likely grow in subsequent years. Gaming revenues are a result of the expanded gaming provisions passed in Act 42 of 2017.

Although the 2018/19 budget contains no new sources of recurring revenue, Gov. Wolf and the General Assembly enacted sources or recurring revenue during the past few years to help stabilize the commonwealth's fiscal situation. The "Long-Term Recurring Revenue Highlights" table shows recently enacted recurring revenue and the estimates associated with the first full year of revenue expected at the time of enactment. Therefore, these annualized estimates are included in the 2018/19 official revenue estimate and total about $900 million. Most of these sources have grown and will continue to grow in the future, although the cigarette tax revenue declines this year.

Long-Term Recurring Revenue Highlights

(Amounts in Millions of Dollars)

Tax Type	Full Year Recurring Revenue
Cigarette Tax Rate Increase of $1.00 per Pack	$ 446.6
Other Tobacco Products	$ 81.9
Liquor Modernization - Recurring Revenue Portion Only	$ 75.8
Sales and Use Tax Vendor Discount	$ 69.2
Digital Downloads and Streaming Video and Audio	$ 59.2
Sales and Use Tax - Online Marketplace	$ 50.5
Bank Shares Tax Rate Increase	$ 24.8
Revenue Maximization - Non-resident Withholding	$ 24.6
E-Cigarettes - 40% of Wholesale Price	$ 21.3
Personal Income Tax on Lottery Winnings	$ 13.6
Sports Wagering Tax	$ 11.2
Revenue Maximization - Appeals Period, from 90 days to 60 days	$ 10.0
Fireworks Tax at 12%	$ 8.7
Total Annualized Collections	**$ 897.4**

Note: Estimates based on information provided by the Department of Revenue and the Office of the Budget. This is a list of only the recurring revenue enacted and does not include all tax changes or offsets from tax credits enacted.

While this year's budget is balanced, the continued practice of using one-time revenues, timing shifts and other temporary savings, reductions and offsets creates budget pressures in the years to come. The unwillingness of Republican majorities to fully address recurring costs with recurring revenues, like a severance tax on natural gas, means that policymakers need to be aware of short term measures underlying the budget. Despite making progress, future budgets will need to address the consequences that may arise from the following:

General Fund Budget Balancing Measures to Monitor (Amounts in Millions of Dollars)	
EXPENDITURES	**2018/19**
General Fund Expenditures Shifted to Special Funds	**$54.9**
Increase in MA expenditures funded through Lottery Fund (compared to revised 17/18)	$54.9
Temporary or One-Time Budget Savings	**$1,210.5**
MA expenditures funded with one-time revenue received March 2017 from Managed Care Organization Gross Receipts Tax	$351.7
MA savings from changes to the payment schedule for managed care organizations	$120.0
MA savings from one-time revenues pursuant to Tobacco Master Settlement Agreement lawsuit	$357.0
Department of Human Services expenses funded with one-time surplus from assessment on Philadelphia hospitals	$54.0
Authority Rentals & Sinking Fund Requirements (PlanCon) reliance on bond	$215.4
Use of PHEAA resources to reduce General Fund expenditures on higher education - this multi-year support will need to be suspended in 2019/20	$112.4
Subtotal Expenditures	**$1,265.4**
REVENUES	
Transfers to General Fund	**$34.4**
Miscellaneous reveneus and loan repayments to the General Fund	$34.4
One-Time Revenue Sources	**$173.8**
Gaming Expansion (Act 43) - Interactive gaming (iGaming) license fees at $10 per license	$100.0
Gaming Expansion (Act 43) - Interactive gaming (iGaming) license fees at airports	$3.8
Gaming Expansion (Act 43) - Sports wagering license fees at $10 million per license	$70.0
Subtotal Revenues	**$208.2**
TOTAL	**$1,473.6**
*This chart does not account for additional fund transfers that may occur pending the resolution of outstanding court cases.	

Rainy Day Fund

A key provision of Gov. Wolf's budget proposal was to renew a commitment to begin rebuilding the rainy day fund. This fund is intended to mitigate the impact of economic downturns on budgets. The budget package assumes a transfer to the Rainy Day Fund for the first time in a decade. For 2017/18, the governor will transfer 50 percent of the fiscal-year-end General Fund surplus, twice the percentage required under statute in recent years.

The Great Recession left the rainy day fund mostly depleted, and it has sat useless since then. The General Assembly used $755 million from the Rainy Day Fund to help balance the budget in 2009. After that, budget-related legislation has either suspended the required transfer from surplus funds or there was no surplus available. While the transferred amount is not enough to get the commonwealth through a major economic crisis, it is a significant first step.

Bonus Depreciation

Bonus depreciation is a mechanism used by the federal government to try to spur business investment. However, this early deduction decreases tax revenues for states coupled to the federal tax code in the short-term.

When corporations buy new property they, normally, depreciate it gradually over the item's useful life for accounting purposes. When the federal government allows corporations (that pay the corporate income tax) to depreciate assets earlier than the normal schedule, this is called bonus depreciation.

Pennsylvania chose to separate itself from provisions in the federal tax code that tied it to bonus depreciation and clarified state law on the topic this year.

As part of the 2018/19 budget package, the General Assembly changed how business depreciation deductions are handled (Act 72 of 2018). Businesses may now claim a depreciation deduction evenly over the life of the property.

The official fiscal notes prepared by House and Senate Republicans estimate a revenue loss of $8.2 million in 2017/18 and $19.3 million in 2018/19. As it is with all other bonus depreciation changes, Act 72 is revenue neutral in the long-term.

Education

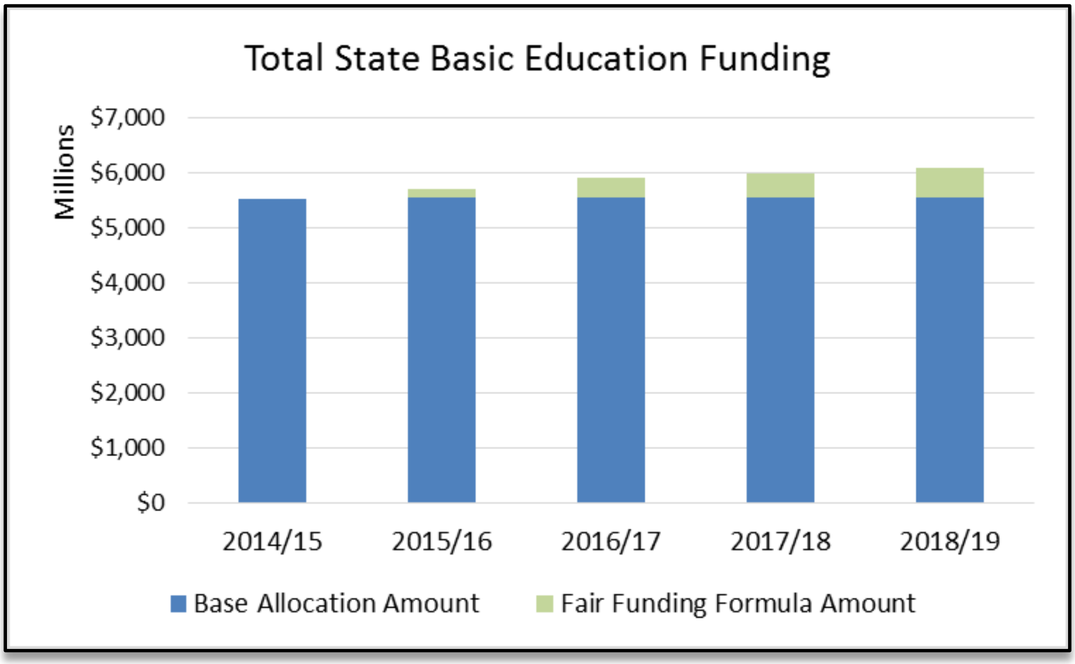
K-12

The 2018/19 budget builds upon the education investments in Gov. Wolf's first three budgets. As articulated in the June 2018 PASBO – PASA School District Budget Report, these investments are necessary as school districts are continually struggling to keep pace with rising costs associated with charter school, special education, health care, and repaying old debt that piled up after past General Assemblies borrowed from teachers' pensions to balance budgets.

Pre-K-12 Education Investments under Gov. Wolf	Increase in 2018/19		Increase Over 4-years	
	Dollar	Percent	Dollar	Percent
Basic Education Funding (includes Ready to Learn)	$118 million	1.9%	$633 million	11.0%
Special Education Funding	$15 million	1.3%	$90 million	8.6%
Early Childhood Education	$25 million	11.0%	$115 million	84.3%
Early Intervention	$22 million	8.2%	$48 million	20.2%
Career and Technical Education (includes PA Smart)	$30 million	48.4%	$30 million	48.4%

Ensuring that the basic and special education funds are fairly distributed to school districts is as important as increasing the state funding.

The formula recommended by the Basic Education Funding Commission has been in use since 2015/16. Each school district is held-harmless to its 2014/15 level of funding (with some adjustments), and the new funding above the 2014/15 level is distributed using a formula that takes into account specific student- and district-based factors. In 2018/19, $539 million, or 8.8 percent, of the basic education funding appropriation will be distributed using the formula compared to just 2.7 percent in 2015/16.



Amounts in Millions of Dollars	2014/15[1]	2015/16[2]	2016/17	2017/18[3]	2018/19[4]
Total BEF Appropriation	5,530	5,695	5,895	5,995	6,095
Base Allocation Amount	5,528	5,543	5,543	5,542	5,556
Fair Funding Formula Amount	-	152	352	453	539
% through formula	0.0%	2.7%	6.0%	7.6%	8.8%

[1] Base amount reflects SD share, which was less than the total amount appropriated.

[1] Includes Basic Education Formula Enhancements appropriation.

[2] Base amount increased for Chester-Upland SD and Wilkinsburg SD in the School Code.

[3] Base amount changed based on prior year recalculations and audits.

[4] Base amount increased for Erie SD in the Fiscal Code.

Similar to the basic education formula, the special education funding formula holds school districts harmless to the 2013/14 level of funding, and the new funding above that level is allocated using a formula that distributes funds based on tiers of costs rather than average cost. The tiers depend on the level of cost of the specially designed instruction or services. In 2018/19, $103 million, or 9.8 percent, of the $1.05 billion special education funds distributed to school districts will be allocated using the special education funding formula.

The investments made in early childhood education provide a foundation for social and academic success. The 2018/19 budget provides a $25 million increase between Pre-K Counts and Head Start Supplemental Assistance that will fund 2,772 more state-funded slots for high-quality pre-kindergarten. The number of state-funded slots has increased by nearly 50 percent over the past four years.

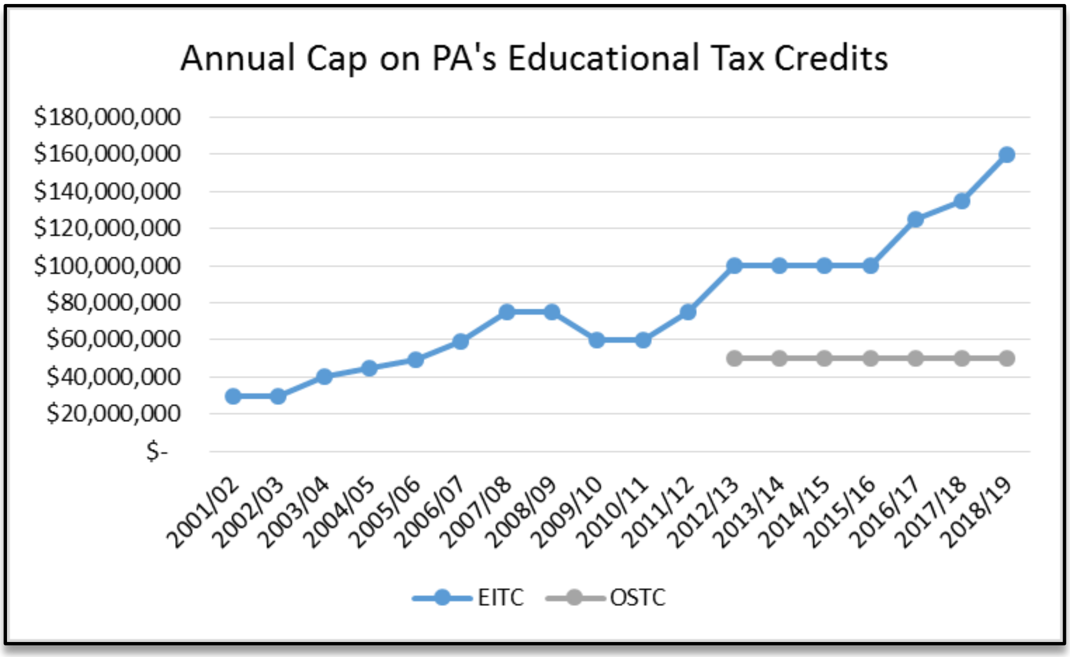
Gov. Wolf's first term prioritized investing in high quality early learning programs.		Actual FY14-15	Actual FY15-16	Actual FY16-17	Available FY17-18	Enacted FY18-19	FY18-19 Less FY17-18 Δ	FY18-19 Less FY17-18 %Δ	FY18-19 Less FY14-15 Δ	FY18-19 Less FY14-15 %Δ
Pre-K Counts	Funding Level	$97.3 M	$122.3 M	$147.3 M	$172.3 M	$192.3 M	$20.0 M	11.6%	$95.0 M	97.7%
	Estimated # of State-Funded Students	13,456	18,133	18,249	21,350	23,657	2,307	10.8%	10,201	75.8%
Head Start Supplemental Assistance	Funding Level	$39.2 M	$44.2 M	$49.2 M	$54.2 M	$59.2 M	$5.0 M	9.2%	$20.0 M	51.0%
	Estimated # of State-Funded Students	4,781	5,728	5,703	5,640	6,105	465	8.2%	1,324	27.7%
Early Childhood Education Subtotal:	Funding Level	**$136.5 M**	**$166.5 M**	**$196.5 M**	**$226.5 M**	**$251.5 M**	**$25.0 M**	**11.0%**	**$115.0 M**	**84.3%**
	Estimated # of State-Funded Students	**18,237**	**23,861**	**23,952**	**26,990**	**29,762**	**2,772**	**10.3%**	**11,525**	**63.2%**
Source: HACD analysis of Governor's Executive Budget 2018-2019, page E13-18										

Going forward, there is a need to continue investing in education. The PASBO-PASA survey said 77 percent of school districts are planning to increase property taxes in 2018/19. PDE's Annual Financial Reports say the state share of school funding was 37 percent in 2016/17. This ranks PA 46th among states, according to the U.S. Census' "Annual Survey of School System Finances" data from 2016.

Inadequate state support for education shifts the financial burden to local property taxpayers and increases the inequitable spending between school districts. One study ranked PA as the state with the widest per-student spending gap between wealthy and poor school districts.

Educational Tax Credits

In 2018/19, the percentage increase in basic education funding and the Ready to Learn Block Grant was 1.9, but the Educational Improvement Tax Credit cap is increasing 10 times more, from $135 million to $160 million.



The entire $25 million increase is for tax credits for contributions from businesses to scholarship organizations. The EITC caps for educational improvement organizations and pre-kindergarten scholarship organizations remain level.

School Safety

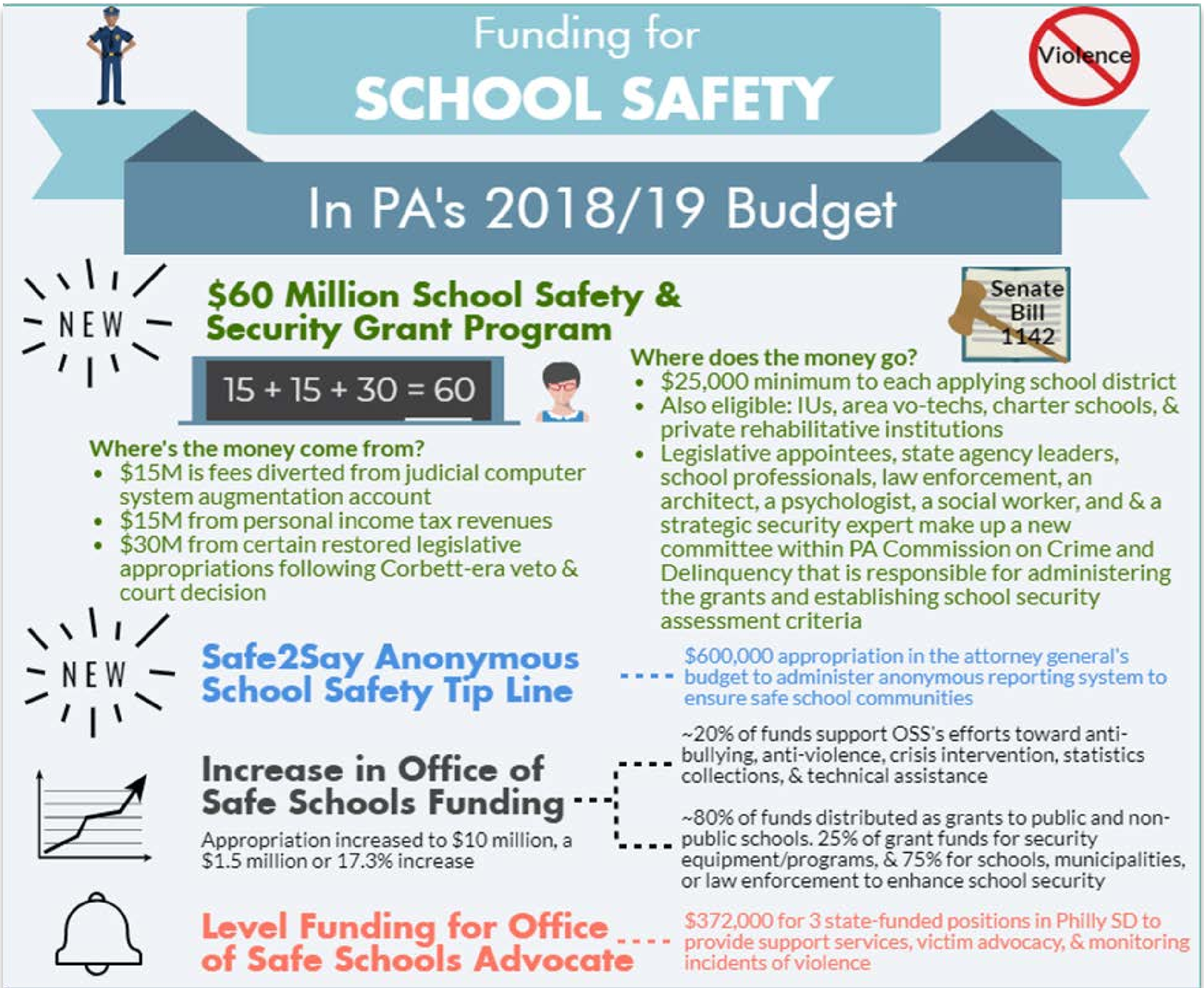
The General Assembly and the governor made school safety a priority in 2018/19. Act 44 (SB 1142) established the School Safety and Security Committee in PCCD to, as one of its duties, annually award grants to school entities from the School Safety and Security Fund ($60 million will be available for 2018/19 from various fiscal code transfers).

Schools may use these grants for a wide range of security-related programs, including trauma-informed approaches to education, safety and security assessments, purchase of security-related technology, and districtwide emergency preparedness plans. Also, the committee may direct no more than 12.5 percent of the funds for programs to reduce community violence.

Additionally, Act 44 requires the Pennsylvania State Police to establish risk and vulnerability assessment teams, in consultation with the committee that will conduct assessments at schools to identify critical safety and security needs. Low-income districts will be prioritized under Act 44.

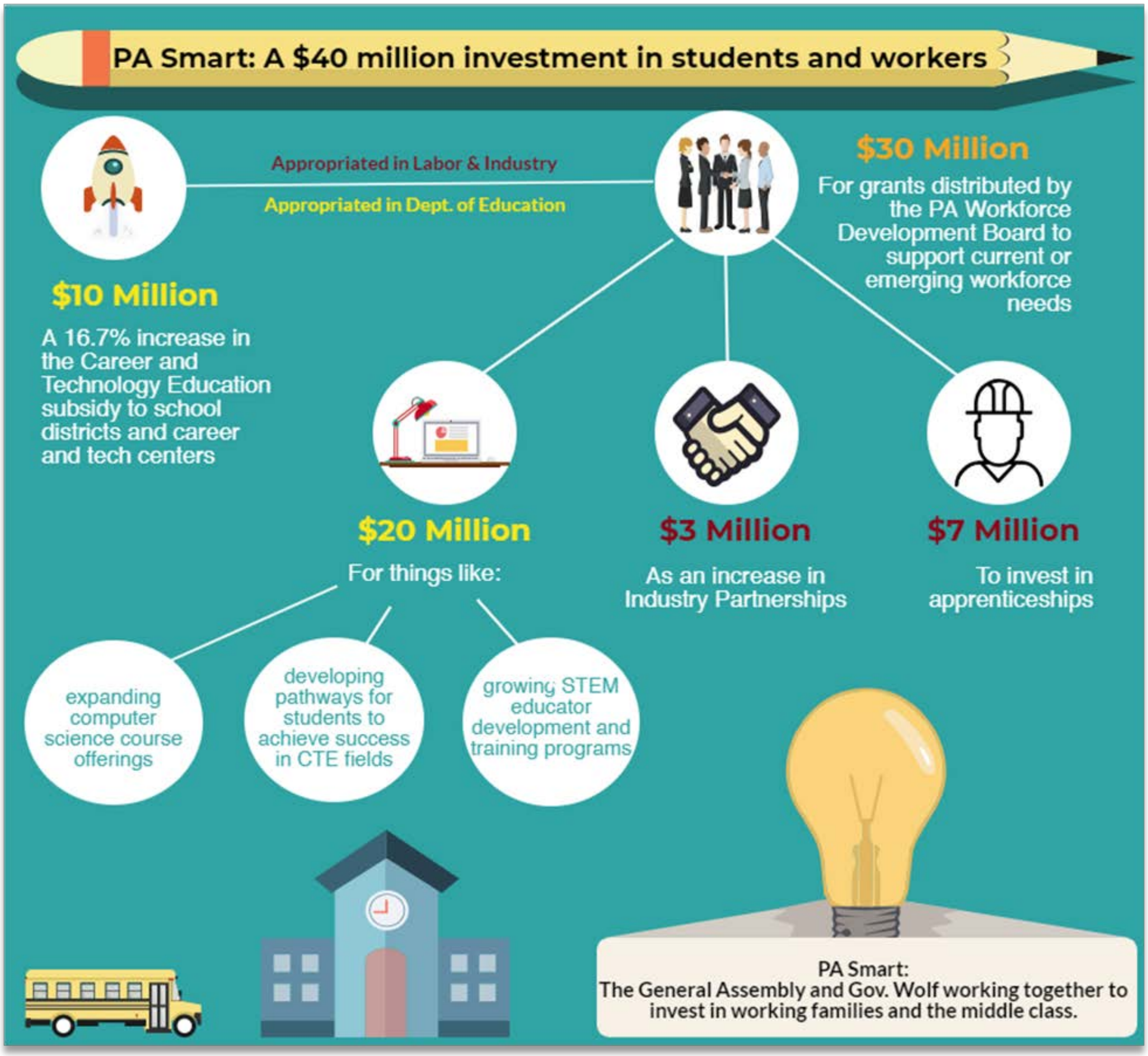
Act 44 formulated the "Safe2Say" anonymous school safety tip line, which the attorney general will administer with the help of $600,000 included in the 2018/19 budget. The budget increased funding for PDE's Office of Safe Schools by $1.5 million. These funds will be available to be distributed through the Office of Safe School's existing grant program.

Act 44 changed the balance of the grants from 60 percent for school resource/police officers to 75 percent. Correspondingly, the limit on OSS's grants for program and equipment is reduced from 40 percent to 25 percent. This change helps to lessen the overlap between the grant programs of the Office of School Safety and the new School Safety and Security Committee.



PA Smart

Gov. Wolf secured $40 million for his PA Smart initiative in the 2018/19 budget, which includes a $10 million increase for career and technical education and $30 million in grants that the PA Workforce Development Board will recommend to distribute to support current and emerging workforce needs.



PlanCon

There is no funding for new PlanCon projects in the 2018/19 budget. The 2018/19 school code (HB 1448) extended the moratorium on new school building projects entering the PlanCon process through 2018/19.

The moratorium has been in place since May 15, 2016. However, the 2017/18 school code, which extended the moratorium through 2017/18, did not become law until Nov. 6, 2017. The 2018/19 fiscal code (HB 1929) clarifies that applications received in the window from July 1, 2017, to Nov. 6, 2017, are eligible for PlanCon reimbursement (PDE records indicate 33 applications were received in that timeframe).

At the start of the current moratorium, the commonwealth had a roughly $5.3 billion obligation for projects already in the PlanCon pipeline. The annual “authority rentals and sinking fund requirements” appropriation had not been keeping pace with the demand of the program; therefore, a significant backlog had developed leading to long delays in school districts receiving their state reimbursements.

Today, with the use of bond proceeds authorized by Act 25 of 2016, the backlog of PlanCon projects awaiting reimbursement from the state is gone. The 2015/16, 2016/17, and 2018/19 budgets did not provide a General Fund appropriation for PlanCon, and relied instead on bond proceeds (2017/18 had a small General Fund appropriation for PlanCon).

The funding source for PlanCon legacy projects will have to shift back to the General Fund as Act 25's $2.5 billion ceiling for school construction bonds nears.

The debt service on these bond proceeds is paid from a restricted revenue account funded by the state's sales and use tax. Additionally, there is an ongoing annual cost of about $10.5 million for charter school lease reimbursements.

The PA Public School Building Construction and Reconstruction Advisory Committee released its recommendations May 23, 2018, regarding how the state's school building reimbursement program can be improved. These recommendations, including streamlining the administrative process, providing funding for maintenance and high-efficiency buildings, and updating and simplifying the reimbursement formula, need to be adopted by the General Assembly before taking effect.

Higher Education

For the first time in many years, several institutions of higher education will receive a 3-percent increase, including community colleges, the state-related universities, the Thaddeus Stevens College of Technology, and institutional assistance grants for private colleges and universities. The Pennsylvania State System of Higher Education (PASSHE) increased by 3.3 percent.

Funding for Institutions of Higher Education

Amounts in Thousands of Dollars	2017/18	2018/19	$ Change	% Change
Community Colleges	232,111	239,074	6,963	3.0%
Pennsylvania State System of Higher Education	453,108	468,108	15,000	3.3%
Penn State University (inc. Penn College of Technology)	252,510	260,085	7,575	3.0%
University of Pittsburgh	146,973	151,382	4,409	3.0%
Temple University	150,586	155,104	4,518	3.0%
Lincoln University	14,436	14,869	433	3.0%
Thaddeus Stevens College of Technology	14,273	14,701	428	3.0%
Institutional Assistance Grants	25,749	26,521	772	3.0%

Overall, the final budget provided $25 million more for operating support for institutions of higher education than Gov. Wolf's executive budget presented in February.

For community college capital funding, the enacted budget maintains level funding. The executive budget recommended a $1.8 million increase.

The appropriation for PHEAA grants is level-funded at $273 million. Separately from the General Appropriations Act, the PHEAA board authorized $101 million from business earnings to augment the grant program and allow the appropriation to remain flat and hold the maximum state grant award constant for the 2018/19 academic year.

PHEAA projects increased costs for the upcoming year, in part, due to passage of Act 5 of 2018 which incorporates distance education students into the state grant program and application changes that made it easier to apply for a grant, increasing the number eligible applicants. In response, the board increased its contribution, continued to spend down its reserves and used its authority to limit program costs for distance education.

While this combination of flat appropriations and increased PHEAA resources will get the program through 2018/19, the PHEAA board indicated in June 2018 that the agency will need to suspend direct cash contributions for 2019/20 due to changing business dynamics. Beyond the $101 million used for student grants, PHEAA funds also support the PA-TIP program for certificate programs shorter than two years ($6 million), the Cheyney Keystone Academy ($0.5 million) and the Primary Health Care Practitioner Loan Forgiveness program ($4.6 million), for a total of $112.4 million.

If the General Assembly wants to maintain the current level of support and services for student aid programs (should PHEAA lose its ability to contribute additional funds), a substantial increase in appropriations will be required in 2019/20.

Pensions

The 2018/19 budget fully pays both state pension systems' estimated annual required contributions, or ARC, which is the second time this has happened in 17 years for the State Employees' Retirement System (SERS) and the third time in as many years for the Public School Employees' Retirement System (PSERS).

Each system's respective increase reflects the multi-year and predictable adjustments in employer funding to pay down the state's unfunded pension liability debt pursuant to the funding schedule under the Act 120 reforms of 2010 and continued with Act 5 of 2017.

While the contribution amounts increased, the magnitude of the increases is beginning to rapidly diminish as more of the contributions pay down the debt (e.g., 75 percent of PSERS' and 85 percent of the SERS employer contribution goes to the pension debt).

For the annually required employer contribution made to PSERS', the 2018/19 budget includes $2.49 billion in state General Funds, which is an increase of $224 million, or 9.9 percent, from 2017/18 compared with the highest increase of 49 percent in 2015/16. For the third time in 17 years, the employer contribution made by the state is providing 100 percent of the estimated actuarially required contribution.

The 2018/19 budget reduces the commonwealth's state-share appropriation for the employer contribution to PSERS by $24.5 million, or 1 percent, compared with the system's most recent ARC estimate. This difference reflects varying payroll growth assumptions. The commonwealth failed to make its full employer contribution to PSERS for more than 15 years, however the state corrected itself two years ago and began making full ARC payments. We will closely follow the appropriation throughout the year to determine if the reduction will place the commonwealth at risk of not making its ARC.

SERS' annually required employer contribution is allocated throughout every appropriation that includes personnel expenditures. Across the multitude of appropriations from a variety of state and federal funding sources, the 2018/19 budget includes roughly $685 million in state General Funds for offices under the governor's jurisdiction, which is about $12 million, or 2 percent, more than 2017/18 compared with the highest increase of 54 percent in 2011/12. For the second time in 17 years, the state's employer contribution will provide 100 percent of the estimated actuarially required contribution.

The retirement systems are authorized to spend $82.4 million for administration expenses via Act 6A of 2018 ($51.6 million for PSERS) and Act 7A of 2018 ($30.8 million for SERS). However, these measures do not include additional funding to implement the provisions of the new retirement plan design for future employees as directed by Act 5.

Act 5 requires new employees to select one of three new retirement plan design options, effective Jan. 1, 2019, for SERS and July 1, 2019, for PSERS. Both systems require start-up funding for personnel and operations to implement the provisions of the new law. The Internal Revenue Code, however, prohibits funding for the defined contribution (DC) components of the new plan design to come from the systems' trust funds (Act 6A and Act 7A for 2018/19). However, funding for the defined benefit (DB) component is permissible.

To remedy the lack of funding, the Fiscal Code directs $4.9 million in start-up funding to SERS and $4.95 million in start-up funding to PSERS for personnel and operations needed to implement the provisions of Act 5 just for the DC components of the plan design.

Act 5 will drive up costs over the next 10 years and cost $536 million more than under current law. Of this amount, $401 million is borne by the state ($247 million General Fund, $85 million special funds, $69 million other), $66 million is federal, and $69 million is from school districts. While employer contributions remain relatively high, a large component of the employer payment is going toward the pension debt, which mostly resulted from 16 years of underfunding in an effort to balance the state General Fund budget. Additional contributors to the pension debt include not fully pre-funding pension benefits and the market corrections in 2001-2003 and in 2008. For PSERS (75 percent) and SERS (85 percent) most of the appropriated payments go toward paying down the unfunded liability.

Health and Human Services

The final budget package still does not include the consolidation of state agencies into a new Department of Health and Human Services, despite the governor's scaled back version compared with the prior year proposal. Also, unlike 2017/18, no language in the 2018/19 budget provides for the transfer of appropriations should the general assembly enact legislation to merge the departments.

2018/19 State Appropriations in Act 1A of 2018				
Fund Amounts in Thousands of Dollars	**Human Services**	**Health**	**Drug & Alcohol Programs**	**Aging**
General Fund	12,137,374	197,415	46,501	-
Lottery Fund	308,355	-	-	520,196
Tobacco Settlement Fund	153,786	-	-	-
Emergency Medical Services Operating Fund	-	14,075	-	-

Health

The Department of Health's budget reflects several of the priorities outlined by Gov. Wolf in his budget proposal, including funding for Lyme Disease. This $2.5 million appropriation will support increased education, prevention, and surveillance activities across the commonwealth.

The budget also includes funding increases in vital statistics to process more birth certificates under the federal 'Real ID' law, and additional funds to reestablish several state health care centers.

All of the disease- and research-specific appropriations within the department have been, at a minimum, restored to prior year levels. Several of these appropriations were increased over 2017/18 with an additional $100,000 for regional cancer institutes, $250,000 for Amyotrophic Lateral Sclerosis (ALS) support services, and $450,000 for bio-technology research. The budget also includes a new appropriation for leukemia and lymphoma.

Finally, the Fiscal Code clarifies local registrars' role in issuing death certificates, and it details the distribution of the $20 fee registrars collect for the service.

Drug and Alcohol Programs

The 2018/19 budget maintains the prior funding increase requested by Gov. Wolf for assistance to drug and alcohol programs, which provides grants to single county authorities across the state to implement programs to prevent and address substance abuse.

Outside of the department, the budget includes $4.5 million in new funding to provide home visiting services to approximately 800 families affected by substance use disorder.

Inclusive of this budget, Gov. Wolf has secured more than $100 million in new state funding to address the heroin and opioid epidemic over the past four years.

New State General Funds Committed to Heroin and Opioid Initiatives under Gov. Wolf					
Amounts in Thousands of Dollars	2015/16 Actual	2016/17 Actual	2017/18 Available	2018/19 Enacted	Four-Year Total New Investment
Department of Drug and Alcohol Programs (SCAs)*	3,500	4,250	3,500	3,500	14,750
Department of Human Services (COEs, CBFC Home Visit)	-	15,000	19,032	23,532	57,564
Department of Health (ABC-MAP Registry)	2,146	3,153	3,023	3,077	11,399
Department of Corrections (MAT Pilot Program)*	1,500	1,500	1,500	1,500	6,000
Pennsylvania Commission on Crime & Delinquency	-	-	7,000	2,000	9,000
Office of Attorney General	-	-	2,117	1,758	3,875
Total Budgeted Funds	**7,146**	**23,903**	**36,172**	**35,367**	**102,588**

*Gov. Wolf requested $5 million in additional funding for the SCAs in 2015/16, the General Assembly split this amount with $1.5 M to DOC for medically-assisted treatment pilot program.

Human Services

The 2018/19 budget appropriates $12.1 billion in state General Funds to the Department of Human Services, a $13.7 million decrease from the revised 2017/18 budget that counted a supplemental appropriation increase of $18.3 million. This relatively modest increase in overall General Fund appropriations to the department compared to previous years reflects the use of several one-time funding mechanisms, along with other opportunities for savings:

- Surplus collections totaling $351.7 million from the now-terminated managed care gross receipts tax provide one-time revenue to offset expenditures;
- At least $275 million in proceeds from an agreement between the attorney general and tobacco manufacturers to settle disputed payments they withheld from Pennsylvania beginning in 2004 related to the Master Settlement Agreement;
- An additional $163 million to fund expenditures from the department's increase in the assessment on managed care organizations;
- One-time savings of $120 million from a change in the timing of monthly payments to a subset of managed care organizations that will standardize payment timing across physical and behavioral health regions;
- Federal grants for child care services totaling $66 million that reduces the need for state General Fund spending;
- The transfer of additional funds pending resolution of outstanding court cases; and
- $75 million in state savings from an increase in the statewide hospital assessment. This is less than the $130 million initially proposed by the governor (see below).

The enacted budget package includes a reauthorization of the Statewide Quality Care Assessment - hospital assessment – through June 30, 2023. The state portion of funds generated by this assessment offset state Medical Assistance spending and provide supplemental payments to hospitals. In addition to renewing the assessment for five years, the language changes from a single rate on net-patient revenue to a new, bifurcated rate split between net- inpatient and net outpatient revenue. The state share of the assessment increases to $295 million in 2018/19 through 2020/21 and to $300 million in 2021/22 and 2022/23.

Year	Assessed Rate		State Share	Increase
	Inpatient	Outpatient	Amounts in 1,000s	Δ from 2018/19
2018/19	2.98%	1.55%	$295,000	*$75,000*
2019/20	3.32%	1.73%	$295,000	*$75,000*
2020/21	3.32%	1.73%	$295,000	*$75,000*
2021/22	3.32%	1.73%	$300,000	*$80,000*
2022/23	3.32%	1.73%	$300,000	*$80,000*

The Human Services Code also requires the department to draft a reconciliation document within 180 days of the close of the fiscal year to include deposits and payments from the Quality Care Restricted Account, which contains hospital assessment proceeds. Remaining funds in excess of $10 million are to reduce the rate of the assessment in the subsequent year or be refunded to hospitals.

Beyond the renewal of the statewide hospital assessment, the Human Services Code includes the following provisions and program guidance:

- Updates and standardizes language referencing child care;
- Requires the Department of Human Services, in cooperation with Education, to implement a pilot program providing coordinated delivery of human services alongside educational offerings at a school or schools in Philadelphia (modeled after the Harlem Promise Academy, a public-private partnership program in New York City);
- Reestablishes provisions related to Medicaid Day-One Incentive payments – totaling $8 million – for non-public nursing homes in the Human Services Code, which was in the Fiscal Code in 2017/18;
- Directs the department to amend the commonwealth's state plan to provide nonemergency medical transportation services under the Medicaid program through either a regional or statewide brokerage model;
- Requires DHS to analyze potentially avoidable events in Medicaid managed care programs and hospitals, and develop an outcomes-based reporting system to reduce these events and associated costs. DHS is to provide regular reports to the General Assembly regarding the impact of these programs;
- Instructs DHS to include information on the LIFE program as an alternative option for eligible individuals moving into Community HealthChoices; and
- Extends a requirement for child welfare providers to file their costs for providing out-of-home placement services to eligible children, allowing DHS to ensure continued federal reimbursement.

There are no work requirements, benefit reductions, or eligibility restrictions included in the budget package.

The budget includes an additional $8 million in the long-term care appropriation to provide for a rate increase to nursing homes by a statewide average of 1 percent, effective Jan. 1, 2019. This increase does not apply to nursing homes located within the active Community HealthChoices regions – southeast and southwest.

The 2018/19 budget increases funding across numerous appropriations to expand home- and community-based services to additional Pennsylvanians, including:

- 800 additional families confronting substance use disorder;
- 2,292 additional seniors in the aging waiver;
- 480 more seniors in the LIFE program;
- 1,500 additional adults with physical disabilities in the independence waiver;
- 960 more adults receiving attendant care;
- 25 individuals currently in state centers to receive home- and community-based services;
- 40 additional adults with autism spectrum disorders in the autism waiver;
- 800 graduates from special education receiving employment and community services, along with 800 graduates in 2019 receiving immediate services upon graduation; and
- 100 individuals with intellectual disabilities being removed from the emergency waiting list.

Funding for Community HealthChoices – the department's Medicaid managed long-term care program to give seniors and individuals with physical disabilities the opportunity to remain in their homes – is allocated in a new appropriation in the 2018/19 budget, instead of being funded under the long term care (nursing home) appropriation. This move follows the initial rollout of the program in the southwest region Jan. 1, 2018, and precedes the next phased rollout in the southeast region – including Philadelphia – beginning Jan. 1, 2019.

The department's budget also expands access to child care services by including $10 million to take 1,600 children off the waiting list and a further $10 million to increase reimbursement rates for child care service providers. As noted earlier, the reduction in state funding reflects the use of new federal funds to pay for services.

Tobacco Settlement Fund

The commonwealth will receive $345.3 million from the Tobacco Master Settlement Agreement (MSA) in 2018/19, a slight reduction from the $349.4 million it received in 2017/18. Appropriations from the Tobacco Settlement Fund total $351.1 million in the 2018/19 enacted budget, a decrease of $11.2 million from 2017/18. These appropriations fund tobacco use cessation and health-related research programs, and a number of medical assistance and other health care programs.

The Fiscal Code (Act 42 of 2018) modifies MSA revenue allocation to various programs, most notably by eliminating the 13-percent allocation for home-and community-based services and increasing the allocation for other health-related purposes to 43.7 percent – reflecting the ongoing transition from existing MA waivers to the new Community HealthChoices program. The majority of allocation for other health-related purposes consists of a $132.9 million appropriation to Community HealthChoices. However, Life Sciences Greenhouses receives $3 million as in 2017/18 and MA Long-Term Care is getting $20.9 million.

On June 21, 2018, the Office of Attorney General announced it had reached a settlement with tobacco manufacturers regarding disputed past and future payments under the MSA. Under the terms of the settlement, the commonwealth will receive approximately $636 million over the next 12 years, including $357 million in 2018/19. Of the funds received in 2018/19, $15.4 million will go to a restricted receipt account for use in the attorney general's criminal enforcement activities while the remaining $341.4 million will be available for appropriation to other health-related programs.

Tobacco Settlement Fund

	2018/19 Enacted Budget	
Health-Related Programs	**Allocation %**	**$ Millions**
Home and Community-Based Services	0%	0.0
Tobacco Use Prevention and Cessation	4.5%	15.5
Health and Related Research (CURE)	13.6%	47.0
Hospital Uncompensated Care	8.18%	28.2
Medical Assistance for Workers with Disabilities	30%	103.6
PACEnet Transfer	0%	0.0
Health-Related Purposes:	43.72%	
Medical Assistance - Long Term Care		20.9
Life Sciences Greenhouses		3.0
Community HealthChoices		132.9
TOTAL		**351.1**

Lottery Fund

After falling into deficit in 2016/17, the Lottery Fund returned to a positive balance in 2017/18 due to some appropriations cuts. These cuts were largely directed to the appropriation for MA Long-Term Care and were offset by increased appropriations from the General Fund and other sources.

For 2018/19, a total of $1.26 billion is appropriated for programs directed to the elderly in Pennsylvania, largely through the departments of Aging and Human Services. Revenues to the Lottery Fund are projected to increase in 2018/19 as a result of Act 42 of 2017, which authorized iLottery and internet instant games.

Compared to 2017/18, the main changes to the Lottery Fund are to the appropriations for home-and community-based services and MA Long-Term Care, which are $50.3 million and $102.7 million smaller, respectively. These reductions are related to the continuing roll out of Community HealthChoices, which received $153.1 million in appropriations from the 2018/19 budget.

LOTTERY FUND (Amounts in Thousands of Dollars)	
Department of Aging	
PennCARE	333,788
Pre-Admission Assessment	8,750
Caregiver Support	12,103
Grants to Senior Centers	2,000
Alzheimer's Outreach	250
PACE	155,000
Department of Human Services	
Home and Community Based Services	70,390
Medical Assistance - Long-Term Care	81,381
Medical Assistance - Transportation Services	3,500
Medical Assistance - Community HealthChoices	153,084
Department of Revenue	
Property Tax/Rent Rebate	264,700
Department of Transportation	
Transfer to Public Transportation Trust Fund	95,907
Older PA Shared Rides	82,975
TOTAL	1,263,828

Overall, appropriations to the Department of Human Services are, essentially, unchanged from 2017/18.

Appropriations to the Department of Aging are reduced by $13.4 million, or 2.6 percent. Funding for Alzheimer's outreach, grants to senior centers, and caregiver support are unchanged from 2017/18. The $155 million transfer to the Pharmaceutical Assistance Fund, which supports the PACE and PACENET programs for seniors, is the same after inclusion of a supplemental appropriation that brought total spending to $155 million in 2017/18.

Appropriations from the Lottery Fund for PennCARE and pre-admissions assessments are down by $2.3 million and $11.2 million, respectively. While appropriations for the underlying PennCARE program increased by $16.8 million, the appropriation will experience a net reduction because $26.1 million in costs are being shifted as the Community HealthChoices rollout continues. The cut to the pre-admission assessment appropriation reflects the transfer of MA assessments to the long-term care appropriation in the Department of Human Services.

The appropriations for transportation assistance and property tax/rent rebates are unchanged from 2017/18.

Criminal Justice (Dept. of Corrections, PA Board of Probation & Parole)

The budget appropriates $2.54 billion from the General Fund to the Department of Criminal Justice, an increase of $103 million, or 4.2 percent, over the revised available amount for 2017/18. The budget includes:

- $2.36 billion for Corrections, a $91.8 million, or 4.1 percent, increase.
  - This portion includes part of general government operations, as well as state correctional institutions, inmate education and training, and inmate medical care.
  - The largest increases in the department's budget for 2018/19 are for state correctional institutions ($70.9 million or 3.7 percent), and inmate medical care ($19.2 million or 7.7 percent), primarily driven by personnel and rising healthcare costs, respectively.
- $184.6 million provides for parole and represents an $11.1 million, or 6.4 percent, increase.
  - This portion includes part of general government operations, parole supervision, the Parole Board, related offices, and grants to counties for adult probation.
  - State support for county adult probation is level funded at $16.2 million as in previous years. Grants are awarded on a formula basis determined by the number of funding-eligible employees.

Department of Criminal Justice, DOC and PBPP funding breakout

Amounts in Thousands of Dollars

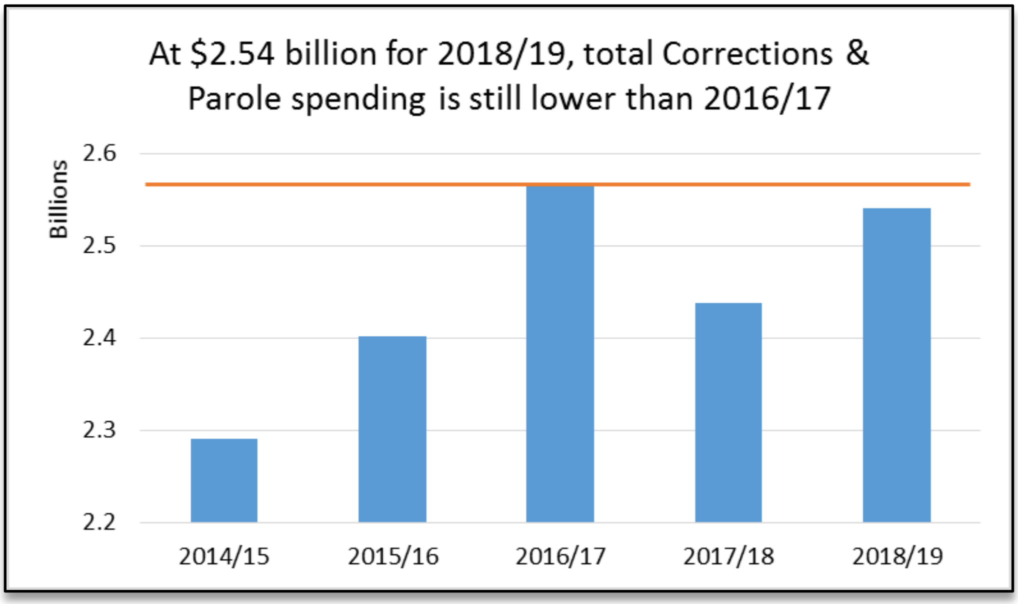
	2017/18	2018/19	$ Change	% Change
Corrections	2,264,218	2,356,050	91,832	4.1%
Parole	173,495	184,642	11,147	6.4%
Department Total	2,437,713	2,540,692	102,979	4.2%

The General Assembly continues to consider a proposed merger of the Department of Corrections and the Board of Probation and Parole. For the second consecutive year, the General Appropriations Act makes appropriations to corrections and parole as a consolidated Department of Criminal Justice. But, as in 2017/18, the new Fiscal Code (Act 42 of 2018) undoes that change in name, stating that all references to the Department of Criminal Justice shall be interpreted as DOC, PBPP, or both.

The agencies signed a memorandum of understanding Oct. 19, 2017, to allow them to operate under a unified organizational structure and to share resources. The Wolf administration is still seeking passage of SB522 and SB523 to complete the merger.

Although the department's budget is increasing 4.2 percent, it remains $22.8 million less than two years prior in 2016/17. The spending reduction carries forward from 2017/18, when the footprint of the state prison system shrank with the closure of one prison.

Pennsylvania's state inmate population continues to fall, maintaining an average annual 1.5 percent decrease in recent years. As of May 31, 2018, the department has jurisdiction over 48,341 inmates and 41,823 parolees.



State Police

The Pennsylvania State Police budget for 2018/19, including anticipated augmentation revenue and federal funds, is $1.31 billion, which is a $67.5 million, or 5.4 percent, increase over 2017/18. The majority of the budget, 82 percent, comes from the General Fund and the Motor License Fund.

State police will receive General Fund appropriations of $305.6 million, which is a $53.8 million, or 21.4 percent, increase over the revised available amount for 2017/18.

Motor License Fund appropriations for PSP in the 2018/19 budget total $769.7 million, which is the maximum allowed by Act 85 of 2016, and represents an $8.7 million, or 1.1 percent, decrease from 2017/18.

As Act 85's cap on appropriations from the Motor License Fund to PSP drops $32.1 million annually through 2027/28, the maximum allowable amount for state police in 2019/20 will be $737.6 million.

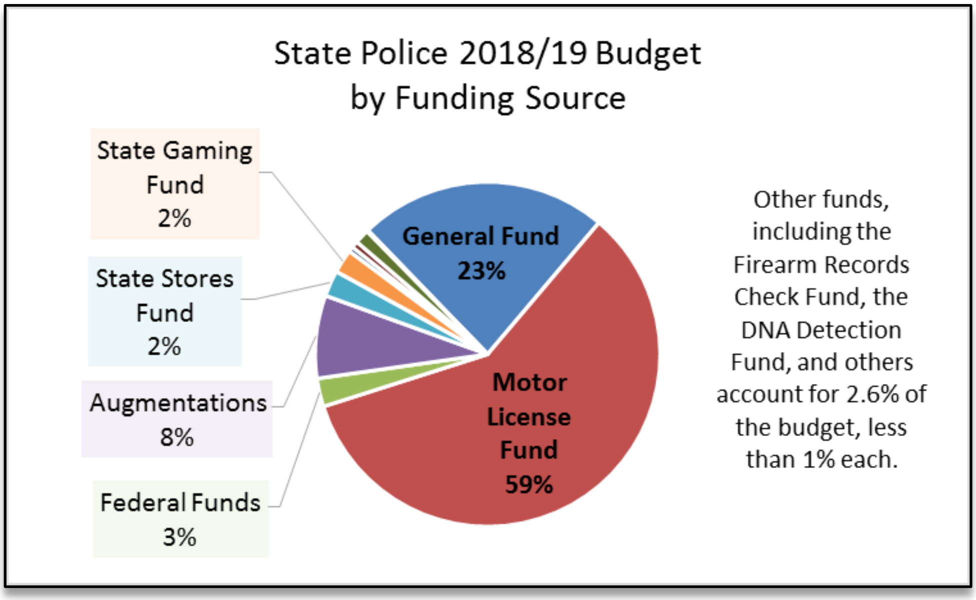
The 2018/19 budget includes the following for state police:

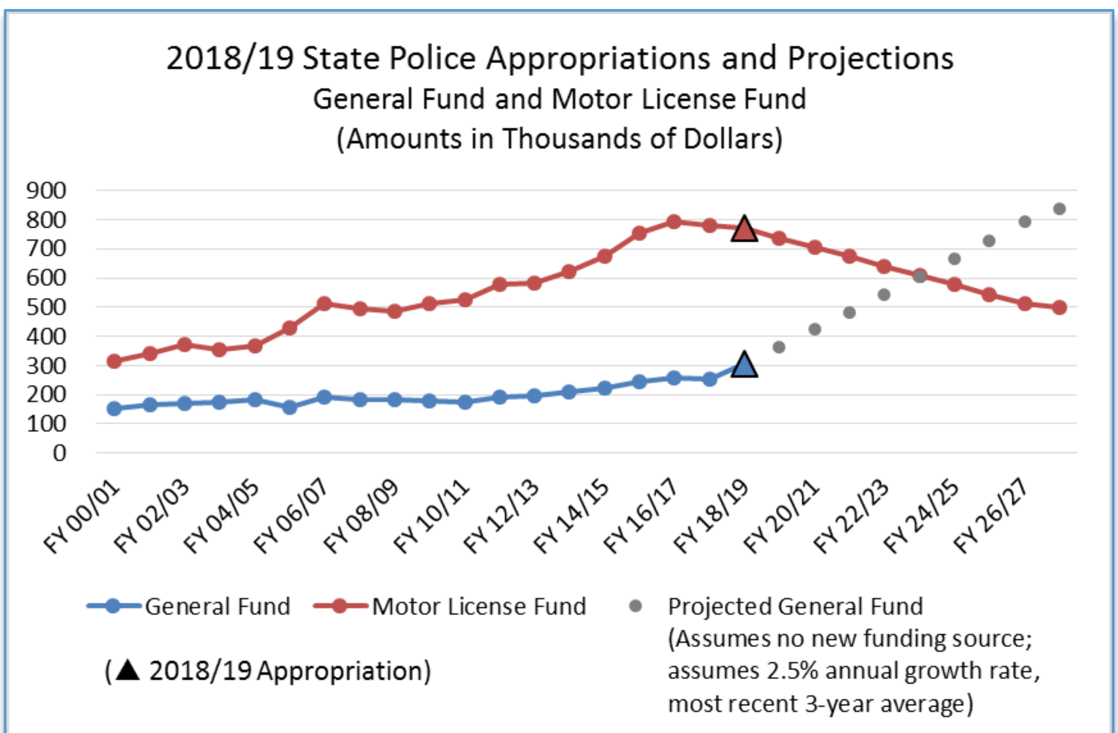
- Sufficient funding for three cadet classes, which is expected to produce 294 new troopers. In the last three years, an average of 326 troopers have retired or departed annually. Gov. Wolf initially proposed four cadet classes;
- $28.5 million for the second of a four-year initiative to upgrade the statewide public safety radio system, which will provide for the infrastructure and mobile radio installation for the P25 system;
    - Additionally, $14 million in appropriations to other executive agencies will provide radio upgrades for other law enforcement and first responders for a total General Fund investment of $49.3 million in 2018/19.
- $6 million within general government operations for body cameras to build out data storage infrastructure to expand the use of body cameras across PSP. A state police pilot program began in 2017/18 to equip 30 officers in three troops with body cameras;
- $8.15 million is appropriated from a restricted account for gun checks by the Pennsylvania Instant Check System (PICS). No General Fund appropriations are made for PICS in 2018/19;

- $29.1 million from the State Gaming Fund for gaming enforcement, a 1.9 percent increase; and
- $31.9 million from the State Stores Fund for liquor enforcement, a 1.3 percent increase.

The budget does not assume Gov. Wolf's proposed fee on municipalities that rely on state police for full-time local police coverage, which was projected to raise $63 million. Instead, the budget increases appropriations for state police's general government operations by $50 million over the governor's executive budget and reduces spending to make up the rest of the difference.

Even without the new municipality fee, the state police budget increasingly relies on augmentations to support annual expenditure increases. This budget assumes a $21 million (105 percent) increase in fee revenue for criminal history record checks following a mid-year rate increase in 2017/18.





Judiciary

For the third consecutive year, level funding for the Judiciary is maintained in the 2018/19 budget at $355.5 million. Also as in previous years, $57.05 million is appropriated to the courts from the "Judicial Computer System Augmentation Account," a restricted receipt account for fees and surcharges collected by the courts.

The Fiscal Code (Act 42 of 2018) diverts $15 million of fee revenue that would otherwise be deposited into the judicial computer system account annually beginning in 2018/19. The JCS account supports far-reaching IT infrastructure and programs, such as the court's case management system, CPCMS, which is used daily by law enforcement, judicial staff, and the public.

A long-term funding shift may have an impact on JCS' capacity to maintain these systems and keep technology up-to-date. The diverted funds are deposited into the School Safety and Security Fund, which is established in the School Code under Act 44 of 2018, to provide grants to school districts and communities.

Pennsylvania Commission on Crime and Delinquency

With the exception of its general government operations, PCCD received level funding for all appropriations relative to 2017/18. The GGO appropriation includes funding for Gov. Wolf's opioid initiatives.

The appropriation decreases by $4.6 million in 2018/19, which reflects the one-time funding included in the prior year's budget to equip first responders with Naloxone ($5 million). However, $2 million for grants to establish or expand drug courts is included for the second consecutive year. Grants totaling $1.53 million were awarded by PCCD to eleven counties on June 13, 2018, to be paid from the 2018/19 appropriation. Future funding is contingent on approved state General Fund amounts.

Under Act 44 of 2018, the School Safety and Security Committee is established in PCCD to guide the distribution of a new funding stream for school and community safety.

In the budget, PCCD also receives a $250,000 appropriation from the Justice Reinvestment Fund for victim services.

Juvenile Court Judge's Commission

The JCJC receives a 5 percent ($142,000) increase in the 2018/19 budget. Grants for juvenile probation services are level funded at $18.9 million for the sixth consecutive year.

Emergency Management Agency

General Fund appropriations for PEMA are predominately level funded. A $2 million increase to the agency's GGO provides for replacement of radios associated with the P25 upgrade for the statewide public safety radio system.

Funding for the emergency management assistance compact, shown in the printout for 2017/18, is not appropriated in the GAA. Under statute, up to $15 million in funding to respond to major disasters through the compact is made available as needed through executive transfers. Similarly, there is no state appropriation for disaster relief in the 2018/19 budget.

Disaster relief funds are used to respond to natural or manmade disasters. State appropriations supplement and provide necessary matching funds for federal grants. No state disaster relief appropriation was requested in the 2018/19 executive budget.

Labor and Industry

Two components of Gov. Wolf's PA Smart initiative under the Department of Labor and Industry are included in the final budget: $7 million to expand registered apprenticeship programs and an additional $3 million to expand industry partnerships (elements of PA Smart are covered by the Department of Education). The fiscal code amendments direct the Pennsylvania Workforce Development Board to distribute both appropriations as grants to support current and emerging workforce needs.

Also under the department, assistive technology financing received a $50,000 increase to $450,000. The Pennsylvania Assistive Technology Foundation runs the commonwealth's alternative financing program, which helps Pennsylvanians with disabilities acquire assistive technology devices and services to live more independently.

The budget also continues level funding for the New Choices/New Options program, Centers for Independent Living, and the assistive technology lending library program.

Executive Offices

The Human Relations Commission received a $1.3 million, or 15.4 percent, increase in the budget, the first major increase in several years. The Human Relations Commission helps protect Pennsylvanians' civil rights, investigates complaints of discrimination or ethnic intimidation under the Human Relations Act, and helps investigate employment and housing discrimination on behalf of federal agencies. Additional funding will allow the commission to hire more investigatory staff to more aggressively enforce the act and protect Pennsylvanians from discrimination.

Department of State

While the Department of State's budget is mostly cost-to-carry for state General Fund appropriations, one notable federal appropriation, "Federal Election Reform," is increased significantly in 2018/19. On May 22, 2018, Pennsylvania requested $13,476,000 in Help America Vote Act, or HAVA, grant funds that Congress included the federal budget. The state will need to provide $674,000 in matching funds in our 2019/20 budget to meet the March 23, 2020, deadline.

The Department of State can use the funds, or sub-grant to local government units, for the following purposes:

- Replacing voting equipment that does not already provide a paper record of voter intent;
- Employing a post-election audit system that provides confidently accurate final vote tallies;
- Upgrading election-related computer systems to address cyber vulnerabilities;
- Facilitating cybersecurity training for the state and local election officials;
- Implementing established cybersecurity best practices for election systems; and
- Funding other activities that will improve the security of elections for federal office.

The department will publish guidelines on how it intends to use the funds.

Transportation

The 2018/19 budget provides $6.6 billion in state funding for transportation, personnel, and operations. This is an increase of $328 million, or roughly 5 percent, over 2017/18. Of this amount, $184 million is continuation funding and $144 million is new.

The new funding includes a one-time investment of $50 million to improve low-traffic state roads, $40 million for rural commercial routes, $28 million for REAL-ID implementation, $16 million for innovative highway systems technology, and $10 million for municipal bridge improvements. All amounts are funded by the Motor License Fund.

The Fiscal Code permits PennDOT and the Commonwealth Financing Authority to waive any required local match from a municipality or the Philadelphia Port Authority for financial assistance grants from the Multimodal Transportation Fund through the end of 2019. In addition, PennDOT is restricted from using money appropriated for direct mail inserts in its mailings.

Agriculture - UPDATED

Department of Agriculture's 2018/19 state General Fund budget of $151.3 million is $7.5 million, or 5.2 percent, more than 2017/18 and includes $31.8 million for general government operations ($30.8 million in 17/18).

Counties will receive a similar amount of grants as last year under the State Food Purchase Program (SFPP). Most of that appropriation funds grants to counties for the wholesale purchase of food at competitive prices. Up to $1 million may be set aside for the Emergency Food Assistance Development Program, up to $500,000 for distributing Temporary Emergency Food Assistance Program (TEFAP) commodities to counties, and up to $1.5 million for the Pennsylvania Agricultural Surplus System (PASS), an increase of $500,000 compared with last year.

To address the Spotted Lanternfly problem, the budget appropriates $15 million in state and federal funds ($3 million state) to target the invasive insect and help prevent crop destruction. Grant appropriations for agricultural research, agricultural promotion, hardwoods promotion, and various agricultural shows are receiving 16.6 percent more in budgetary support.

The Penn State Agriculture Extension is receiving a $1.6 million, or 3 percent, increase in 2018/19, bringing its total appropriation to $53.9 million. Also, the University of Pennsylvania's School of Veterinary Medicine and Center for Infectious Disease are receiving a combined $912,000, or 3 percent, increase, bringing their respective appropriations to $31 million and $289,000.

Amendments to the fiscal code authorize the following:

- The transfer of $19.66 million from the PA Racehorse Development Fund to the Department of Agriculture for the Animal Health Commission, the Pennsylvania Veterinary Laboratory System, Pennsylvania Fairs, and a transfer to the State Farm Products Show Fund;
- The transfer of $10.07 million from the PA Racehorse Development Fund to the State Racing Fund to cover costs of enforcement of equine medication rules testing;
- At least $250,000 from general government operations, within the Department of Agriculture, to be used for Commission of Agricultural Education Excellence to assist in development and implementation of agricultural education programming;
- The use from Agricultural Research, of $300,000 for an agricultural resource center, and $100,000 for agricultural law research programs in conjunction with Penn State;
- The use from Agricultural Research, of at least $500,000 for research at an organic research institute located in a county of the third class; and
- The use of up to $165,000 from the Agricultural Conservation Easement Purchase Fund for the department to fund succession planning grants.

Environment

Department of Environmental Protection:

The Department of Environmental Protection's 2018/19 state General Fund budget of $153.3 million is $6.8 million, or 4.7 percent, more than 2017/18. With the additional funding, the agency may hire 35 additional staff to oversee high-hazard dams, ensure adequate air monitoring support in areas of natural gas drilling, and review sewage expansion requests. A number of other DEP state appropriations are maintained at prior year funding amounts or are receiving increases compared with 2017/18:

DEP State General Fund Appropriations				
(Amounts in Thousands of Dollars)				
	Available	Budget	Comparison	
	2017/18	2018/19	$ Δ	% Δ
General Government Operations	13,309	14,378	1,069	8.03%
Environmental Program Management	29,413	30,932	1,519	5.16%
Chesapeake Bay Agricultural Source Abatement	2,535	2,670	135	5.33%
Environmental Protection Operations	89,215	93,190	3,975	4.46%
Black Fly Control and Research	3,357	3,357	0	0.00%
West Nile Virus Control (and Zika)	5,239	5,378	139	2.65%
Delaware River Master	38	38	0	0.00%
Susquehanna River Basin Commission	237	237	0	0.00%
Interstate Commission on the Potomac River	23	23	0	0.00%
Delaware River Basin Commission	217	217	0	0.00%
Ohio River Valley Water Sanitation Commission	68	68	0	0.00%
Chesapeake Bay Commission	275	275	0	0.00%
Transfer to Conservation District Fund	2,506	2,506	0	0.00%
Interstate Mining Commission	15	15	0	0.00%
	146,447	153,284	6,837	4.67%

Interstate commissions and boards are funded the same as they were in 2017/18. These appropriations cover so-called “fair share” costs associated with Pennsylvania’s membership in environmental interstate compacts. The Delaware and Susquehanna river basin commissions are not funded, however, to what constitutes their “fair share.” The shortfall for the Delaware River Basin Commission is $676,000, while the Susquehanna River Basin Commission fair share difference is $504,000.

Amendments to the Fiscal Code (Article XVI-N) establish the “Private Dam Financial Assurance Program,” which is a revolving loan program that delivers financial assurance assistance to owners of regulated private dams through the Department of Community and Economic Development (in consultation with the Department of Environmental Protection) to meet proof of financial responsibility requirements promulgated under section 11 of Dam Safety and Encroachments Act of 1978.

Conservation and Natural Resources

DCNR’s 2018/19 state General Fund budget of $121.3 million is $16 million, or 15.3 percent, more than 2017/18. The increase in General Fund appropriations for state parks and forests relates to the decrease in the funding transfer from the Oil and Gas Lease Fund. When factoring in Oil and Gas Lease Fund transfers, DCNR will see an overall increase of 2.2 percent. The following table shows funding by appropriation and source:

DCNR State Parks and State Forest Appropriation Source Comparison				
(Amounts in Thousands of Dollars)				
General Fund				
	Available	**Budget**	**Comparison**	
	2017/18	**2018/19**	**$ Δ**	**% Δ**
State Park Operations	51,028	56,185	5,157	10.1%
State Forest Operations	22,664	29,184	6,520	28.8%
General Government Operations	20,324	22,063	1,739	8.6%
Heritage and Other Parks	2,875	3,025	150	5.2%
State Parks Infrastructure Projects	0	2,500	2,500	0.0%
Annual Fixed Charges (aggregated)	8,309	8,336	27	0.3%
State General Fund Total	105,200	121,293	16,093	15.3%
Oil and Gas Lease Fund				
State Parks Operations	7,739	7,555	-184	-2.4%
State Forest Operations	3,552	4,198	646	18.2%
General Operations	50,000	37,045	-12,955	-25.9%
Oil and Gas Lease Fund Total	61,291	48,798	**-12,493**	**-20.4%**
Combined General Fund & Oil and Gas Lease Fund Total				
DCNR General Fund & OGLF	166,491	170,091	3,600	2.2%

The fiscal code directs DCNR, in consultation with PennDOT, to:

- Develop, open, and maintain an ATV trail connecting the Whiskey Springs ATV trail in northcentral Pennsylvania to the Blood Skillet ATV trail. And,
- To implement the full northcentral Pennsylvania ATV initiative and create a network of ATV trails connecting Clinton County to the New York state border.

Community & Economic Development

The 2018/19 enacted budget did not extensively differ from Gov. Wolf's proposed budget for DCED. Perhaps the most significant disparity was the legislature's inability to restore the $5 million, or 33 percent, 2017/18 cut to PA First. The enacted $15 million appropriation (instead of $20 million the governor requested) will fund grants for job creation and retention, infrastructure projects, and the popular workforce development program, WEDNetPA.

The budget also reduces the transfer to the Municipalities Financial Recovery Revolving Loan Fund by $1.5 million, or 61 percent, from 2017/18. This fund offers loans and grants to financially distressed **(Act 47) municipalities** that otherwise face the immediate risk of bankruptcy. Prior to the cut, the fund already faced the prospect of insolvency by 2019/20. The new 61 percent reduction will require close monitoring throughout the year to ensure the $1 million appropriated keeps the fund solvent.

The Infrastructure and Facilities Improvement Program, or IFIP, is also cut by $2 million, which represents an 11-percent reduction from 2017/18. The $16 million appropriated in the new budget will still allow for the department to provide IFIP grants to eligible authorities so they may finance projects that improve manufacturing, industrial, retail, research and development, hospital, hotel and convention center facilities.

As directed in the fiscal code, DCED's **Keystone Communities** and **Marketing to Attract Tourists** will work in 2018/19 as they have in the past. These appropriations, and many others that are often eliminated in executive budget proposals, were increased or restored through negotiations with legislators.