



A Quick Glance at Key Issues from the
House Appropriations Committee (D)

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2012/13 Governor's Executive Budget Proposal

Gov. Tom Corbett presented his 2012/13 budget proposal to the General Assembly today.

While he claims taxes will not be increased in his budget, Gov. Corbett's proposal will impact the checkbooks of Pennsylvanians by merely shifting costs to other people and entities throughout the commonwealth.

The governor balances the budget on the backs of the poor, the chronically ill, students, and people with disabilities while increasing fiscal pressure on our hospitals, schools, universities, nursing homes and counties to provide the services our residents need. These vital services are the economic engine for many communities. When you squeeze them you also jeopardize jobs.

At the same time, he **fails to address our crumbling transportation infrastructure** (which could be a huge job creator) and he **continues to put our environment at risk** endangering the health and safety of workers and residents.

Although much emphasis is put on the **General Fund budget**, in which the governor's proposal spends **\$27.1 billion**, when you consider all state (general, special, federal and other funds) and federal funds, the governor's proposal represents a **total commonwealth operating budget of \$63.3 billion**.

The proposed state General Fund budget of \$27.1 billion decreases state expenditures marginally by \$22.5 million, or .08 percent. However, after taking into consideration adjustments to the current Fiscal Year 2011/12 that includes \$160 million in lapses (current year budget freezes) and a \$1 million supplemental appropriation, **total expenditures actually increase marginally by \$137 million, or .5 percent**.

For a quick reference, key points in Gov. Corbett's 2012/13 budget proposal are outlined in this document. The House Appropriations Committee (D) will provide further briefings on specific issues and program areas, as more details become available.

Gov. Corbett's budget proposes significant cuts to General Fund appropriations compared with the 2011/12 budget. It increases funding only for a handful of agencies and it eliminates 649 state-funded positions. In addition, Gov. Corbett's proposal includes the elimination of 33 line-item appropriations and reduces funding for 164 appropriations. His proposal also consolidates numerous appropriations into a "block grant" concept. The consolidation of appropriations makes comparisons to prior years difficult and his budget proposal far from transparent.

- Some of the hardest hit agencies in terms of spending cuts under Gov. Corbett's proposal fall under the Departments of Education and Public Welfare.
 - The Board of Probation and Parole is among the few agencies receiving a significant program funding increases over the prior year under Gov. Corbett's proposal.
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Education

In addition to the \$1 billion in cuts included in the enacted 2011/12 budget, Gov. Corbett's 2012/13 proposed budget **reduces Pre-K - 12 school and library funding by more than \$124 million**. The governor is asking legislators to sacrifice an entire generation and continue his reversal of years of significant educational progress in Pennsylvania.

Student Achievement Education Block Grant - NEW LINE

This is a new line item that combines four previously separate appropriations (basic education, pupil transportation, nonpublic transportation, and school employees' social security), making it more difficult to compare the governor's proposal with school district funding in previous years.

Basic education funding, pupil transportation, nonpublic and charter school transportation, and school employees' social security line items have all been ***eliminated and rolled into this new grant line***. The governor's budget funds this new appropriation at \$6.5 billion, a \$21.8 million increase over the total of the combined lines in 2011/12. According to the governor's budget office, all four lines within this new grant line have been flat-funded at their 2011-12 levels. The \$21.8 million increase was spread across the pupil transportation, nonpublic and charter school transportation, and social security lines and driven out on a pro rata basis to each district. It is important to note that school districts do not receive their share of the \$21.8 million increase based upon the actual formulas that are normally used for transportation and social security payments.

Don't Be Fooled!

Career and Technical Education did not receive an increase. This appropriation was flat-funded at \$62 million. The additional \$12.5 million in the appropriation is a shift from the social security payment that previously was part of the school employees' social security appropriation.

Program Eliminations

For the second fiscal year, ***Gov. Corbett eliminated funding*** to these education appropriations:

- Reimbursement of Charter Schools
- Education Assistance Program
- Intermediate Units
- Dual Enrollment
- School Improvement Grants
- Science: It's Elementary
- High School Reform
- Basic Education formula enhancements

Accountability Block Grant - ELIMINATED

Although the governor proposed eliminating the Accountability Block Grant in 2011/12, the final budget provided \$100 million to school districts for this grant. This payment was made in the form of a supplemental appropriation to the 2010/11 block grant appropriation and provided to districts in the 2011/12 fiscal year. ***In 2012/13, the governor again eliminated funding for the Accountability Block Grant***. This means that school districts will receive \$100 million less in 2012/13.

School Nutrition Incentive Program - ELIMINATED

As the country focuses on childhood obesity, Gov. Corbett's 2012/13 budget **eliminates** the School Nutrition Incentive Program. Implemented in 2007/08, this appropriation provided additional reimbursements to school districts that voluntarily adopted the Pennsylvania Department of Education's (PDE) more stringent nutritional standards for school breakfasts and lunches. ***Elimination of this appropriation represents another \$3.3 million loss to school districts.***

Major Reductions Summary

There are several major reductions in the governor's 2012/13 education budget, including:

- Accountability Block Grant - \$100 million (100 percent)
- School Nutrition Incentive Program - \$3.3 million (100 percent)
- Pre-K Counts - \$4.1 million (5 percent)
- Head Start Supplemental Assistance - \$1.9 million (5 percent)
- State Library - \$114,000 (5.5 percent)
- Teacher Professional Development - \$718,000 (10 percent)
- Adult and Family Literacy - \$614,000 (5 percent)
- Education of Migrant Laborers' Children - \$45,000 (5 percent)
- Services to Nonpublic Schools - \$4.3 million (5 percent)
- Textbook, Materials, and Equipment for Nonpublic Schools - \$1.3 million (5 percent)
- Public Library Subsidy - \$2.7 million (5 percent)
- Library Services for Visually Impaired and Disabled - \$135,000 (5 percent)
- Library Access - \$149,000 (5 percent)

Education Increases

In addition to the \$316 million mandated increase in the commonwealth's contribution to the School Employees' Retirement System, the governor's proposed budget includes the following discretionary increases:

- PA Assessment (Keystone Exams) \$15.6 million (43 percent)
- Early Intervention (program expansion) \$8 million (4.1 percent)

Higher Education Suffers

Higher education again was targeted for heavy cuts in Gov. Corbett's budget proposal. The following table compares higher education funding from 2010/11 to 2012/13.

	2010/11 Actual	2011/12 Available	2012/13 Budget	\$ Cut	% Cut	% Cut over Two Years
Community Colleges*	\$ 254,340	\$ 230,727	\$ 221,926	\$ (8,801)	-3.8%	-12.7%
State	\$ 214,217	\$ 212,167	\$ 201,526	\$ (10,641)	-5.0%	
Federal ARRA	\$ 21,524					
School Employees' Social Security	\$ 18,599	\$ 18,560	\$ 20,400	\$ 1,840	9.9%	
State System of Higher Education	\$ 503,355	\$ 412,751	\$ 330,201	\$ (82,550)	-20.0%	-34.4%
State	\$ 465,197	\$ 412,751				
Federal ARRA	\$ 38,158					
Penn State University **	\$ 281,244	\$ 227,694	\$ 163,461	\$ (64,233)	-28.2%	-41.9%
State	\$ 318,072	\$ 227,694				
Federal ARRA	\$ 15,791					
University of Pittsburgh	\$ 167,995	\$ 136,076	\$ 95,253	\$ (40,823)	-30.0%	-43.3%
State	\$ 160,490	\$ 136,076				
Federal ARRA	\$ 7,505					
Temple University	\$ 172,737	\$ 139,917	\$ 97,942	\$ (41,975)	-30.0%	-43.3%
State	\$ 164,974	\$ 139,917				
Federal ARRA	\$ 7,763					
Lincoln University	\$ 13,782	\$ 11,163	\$ 11,163	\$ -	0.0%	-19.0%
State	\$ 13,623	\$ 11,163				
Federal ARRA	\$ 159					
Thaddeus Stevens	\$ 10,876	\$ 10,332	\$ 10,332	\$ -	0.0%	-5.0%
State	\$ 8,550	\$ 10,332				
Federal ARRA	\$ 2,326					

* Governor's proposal for 2012/13 rolls a portion of School Employees' Social Security appropriation into Community Colleges. Actual and available years shown similarly for comparison

** Does not include agricultural research and agriculture extension, though appropriated as part of PSU's General Support

Three of the four state-related schools were hardest hit in terms of percentage cuts. In total, Gov. Corbett's budget reduced funding to the state-related universities by \$147 million. Penn State University, the University of Pittsburgh and Temple University received 30 percent cuts; Lincoln University was funded at the same level as 2011/12. If the Governor's executive budget is enacted, funding to Penn State, Pitt and Temple will have been reduced 43 percent over his two budgets, with Lincoln receiving a 19 percent cut over two years.

The 14 universities of the State System of Higher Education also received a very large cut of 20 percent, or \$82.5 million. Over two years, the State System has seen funding cut by 34.4 percent. In addition, the governor proposes to redirect the State System's share of funding from the Keystone Recreation, Park and Conservation Fund to the General Fund. This 'Key 93' funding is traditionally used by the State System for deferred maintenance on buildings and grounds.

Community colleges received a 5 percent cut in the governor's budget proposal. However, this cut is somewhat masked by the fact that \$20.4 million of the School Employees' Social Security appropriation was rolled into the community colleges appropriation, making it appear as though the cut is only 3.8 percent. Community colleges traditionally received their portion of School Employees' Social Security from the separate appropriation, but because the governor's Student Achievement Block Grant proposal for school districts combines the School Employees' Social Security line item into the block grant, the community college funding part is broken out.

Thaddeus Stevens College of Technology is funded at the 2011/12 level of \$10.3 million.

PHEAA

In total, state appropriations for PHEAA programs were cut by \$27.2 million under Governor Corbett's budget. The largest program administered by Pennsylvania Higher Education Assistance Agency (PHEAA) is the State Grant program, which was cut by \$19 million, or 5 percent, in Gov. Corbett's proposal. Institutional Assistance Grants (IAGs), which support private colleges and universities based on the number of needy students enrolled at eligible schools were cut by 30 percent, or \$7.3 million. The Higher Education for the Disadvantaged appropriation, also known as the Act 101 program was cut by \$118,000, or 5 percent.

TRANSPORTATION

Transportation not addressed

Gov. Corbett's budget proposal does not address the transportation funding shortfall worth \$3.5 billion in 2010 and growing, as identified by the Transportation Advisory Committee in May 2011 and further recognized by the Governor's Transportation Funding Advisory Commission Report in August 2011. Not only does Gov. Corbett fail to address crumbling infrastructure needs cited by his own commission, he takes additional steps to cut critical funding for roads and bridges.

Discontinuance of Bridge Funding

The governor's budget proposal does not include \$200 million in bond financing for the Accelerated Bridge Program that helped PennDOT repair or replace nearly 1,600 structurally deficient bridges in the past three years.

Highway Maintenance

The governor's budget proposal reduces state funding for highway maintenance and disaster recovery by \$80 million, or 9 percent, from current levels and contingent upon the receipt of federal disaster recovery reimbursements.

Federal Funding Reduced

The 2012/13 expenditures for transportation are cut by \$574 million, or 9.2 percent. Nearly half of this (\$245 million, 43 percent) reflects reduced federal funds. Of this reduction, \$206.5 million reflects the discontinuance of moneys made available from the American Recovery and Reinvestment Act (ARRA) of 2009.

Photo ID Cards

The 2012/13 budget includes \$1 million to issue a non-driver's license identification card to any voter who declares it necessary for voting purposes. According to a House fiscal note, pending legislation to require a state-issued identification card to vote carries implementation costs of at least \$4.3 million.

Raiding Funds and Avoiding Transparency

Throughout the governor's budget proposal transparency is clouded by spending shifts to other funds, transfers and newly combined appropriations. There are several places where funding "shifts" occur:

- \$20.5 million from the cigarette tax in the Ag Conservation Easement Fund is transferred to the General Fund.

- \$6.5 million from the Gross Receipts Tax for the Alternative Fuels Incentive Grant Fund (AFIG) is transferred to the General Fund.
- \$20.5 million from the Growing Greener Bond Fund is transferred to the Ag Conservation Easement Fund.
- \$6.5 million from the Alternative Fuels Incentive Grant Fund is transferred to the General Fund.
- \$38.6 million from the Keystone Recreation, Park and Conservation Easement Fund is transferred to the General Fund.
- \$71.6 million of additional Lottery Funds is shifted to support Long Term Care in the General Fund.
- \$72.3 million is transferred from the General Fund to the Race Horse Development Fund for:
 - The Pennsylvania State University (Agricultural College Land Scrip Fund) — \$44.7 million
 - University of Pennsylvania – Veterinary Activities — \$26.5 million
 - University of Pennsylvania – Center for Infectious Disease — \$236,000
 - Payments to Pennsylvania Fairs — \$874,000

Moving and shifting appropriations hides the real impact on Pennsylvania:

- In the Department of Public Welfare, a new “Human Services Development Block Grant” is created by combining funding for various county-run human service programs. In his proposal, Gov. Corbett promotes this as providing counties with greater flexibility to target funds where needed. However, the net impact is that counties would have \$168 million LESS in funds for FY 2012/13 than they received in FY 2011/12.
- In the Department of Education, a new appropriation for Student Achievement combines multiple appropriations to school districts worth \$6.5 million into a new block grant thus hiding the real impact on school districts. One appropriation — the School Employees Social Security — becomes especially difficult to follow because:
 - some of the money is rolled into the new Student Achievement appropriation,
 - smaller portions are rolled into the Career and Technical Education appropriation and the Community Colleges appropriation.
- The Public Employee Retirement Commission, an entity required under the law to issue actuarial notes for retirement related legislation, is moved to the General Government Operations appropriation for the Department of Community and Economic Development.
- The State Tax Equalization Board established (Act 447 of 1947) to compensate for the lack of assessment uniformity statewide in distributing school subsidies is moved to the General Government Operations appropriation for the Department of Community and Economic Development.
- Reimbursements made to municipalities for vehicle code violations made by the State Police are reduced by \$8 million and transferred to pay for radio equipment and other protective devices.

Department of Public Welfare

The governor's budget proposal reflects a \$29.6 million reduction in funding for the Department of Public Welfare. To get to this bottom line, his **2012/13 budget includes \$766 million in cuts to DPW programs** required to make up for increased costs driven by inflation, caseload, litigation, and federal statutes. Nearly half of these cuts are to the state-funded General Assistance program which provides both cash assistance and medical medical assistance to low income adults who do not qualify for federal aid. A summary of the cuts is outlined in the table at right. **This is in addition to the \$1.03 billion cuts in the enacted 2011/12 budget.**

Description of DPW Cuts in 2012/13 Executive Budget	\$ Millions
GA eligibility changes	\$ 320.3
Cash Grants	150.0
Medical Assistance coverage	170.3
Increase MAWD monthly premium for disabled workers	\$ 10.0
Cuts in MA Provider Payments	\$ 61.0
4% cut in nursing home payments	46.4
4% cut in hospital payments - MA Inpatient	12.5
10% cut in hospital supplemental lines - Burn Centers, Trauma Centers, Critical Access Hospitals, Obstetric and Neonatal	2.0
Other MA Cost Containment	\$ 165.2
Increased use of Lottery Funds for Long Term Care	71.6
High Cost Case Reviews - MA and disabilities	45.0
Hospital Application Process revision	10.0
Cash flow and other administrative initiatives	23.6
"Loophole kid" co-pays (delayed implementation of 2011/12 initiative)	10.0
Audit enhancements -MA program	5.0
10% cut in medical schools - Academic Medical Centers and Physician Practice Plans	\$ 1.9
Child Care provider reimbursement revisions	\$ 10.0
Foster Care Enhancements - savings due to increased federal funds	\$ 4.5
Human Services Development Fund Block Grant - 20% cut to current county human service programs transferred to this new block grant*	\$ 168.4
Other Cuts	\$ 25.4
State Centers for Intellectually Disabled	3.2
Special Pharmaceutical Services	0.5
Health Care Clinics	0.1
Autism Intervention and Services	0.8
County Child Welfare	10.0
Cash Grants - nonrecurring summer storm disaster assistance	10.5
Legal Services	0.3
GRAND TOTAL	\$ 766.6

* Program funding transferred to block grant:

- Mental Health Services - community mental health Services component
- Behavioral Health Services
- Intellectual Disabilities - Community Based Program
- MA Outpatient - Act 152 D&A program component
- County Child Welfare
- Homeless Assistance
- Human Services Development Fund

Medical Assistance

The governor's budget proposes more than \$300 million in program cuts to Medical Assistance (MA), including waiver programs.

Gov. Corbett's budget proposal:

- Cuts eligibility for General Assistance, ending health care for tens of thousands of chronically ill adults.
- Increases the monthly premium that workers with disabilities must pay for health care coverage they purchase through the MAWD (Medical Assistance for Workers with Disabilities) program. Under this proposal, premiums could go up 50 percent.
- Cuts **provider reimbursement to hospitals and nursing homes by 4 percent.**
- Implements statewide managed care.
- **Cuts 10 percent in funding for specific hospitals:**
 - Trauma Centers
 - Burn Centers
 - Critical Access Hospitals
 - Obstetric and Neonatal Services
- Cuts 10 percent in funding that support medical schools:
 - Academic Medical Centers (funds Pitt, Temple, Penn State Hershey and centers in Erie, Philadelphia and Scranton)
 - Physician Practice Plans (funds Drexel, Thomas Jefferson, U of Penn)

County Human Service Programs

Gov. Corbett's budget proposal cuts funding by 20 percent for the various county-run human services programs (including the Human Services Development Fund) and consolidates them into a **Human Services Development Block Grant** that will go to counties.

- The block grant replaces the existing Human Services Development Fund appropriation.
- Counties will have the flexibility to use the block grant funds where they need them the most. However, the net reduction in funding for these county programs is \$168 million.

DPW Income Maintenance, Human Services, Children's Programs

Gov. Corbett's 2012/13 budget proposal eliminates cash assistance benefits provided through the General Assistance (GA) program, equating to a reduction of \$150 million in the Cash Grants appropriation. The GA program is entirely state funded and serves certain low-income individuals with a medically verified permanent or temporary disability who do not qualify for the federally funded Temporary Assistance for Needy Families (TANF) benefit.

The governor's proposal also includes a policy initiative (no state savings assumed in the 2012/13 budget) he calls WorkFirst. His WorkFirst proposal:

- Requires each County Assistance Office to have a designated employee as a "jobs developer who will work with job creators, chambers of commerce and other industry groups to promote job placement for welfare recipients."
- Requires each recipient to develop a "contractual Plan of Action" with benchmarks to be met.
- Requires contracts with employment and training providers to be based on performance measures determined by the department.

- Seeks to combine the functions of the PA CareerLinks (under Labor & Industry) and Employment Advancement and Retention Network (under DPW).

The budget proposal includes savings realized by maximizing federal funds under Fostering Connections which provides additional support for youth ages 18 to 21 in foster care.

The 2012/13 budget proposal includes a total of \$10 million in savings relating to child care reimbursement reforms. Specifically, the proposal revises the number of days a provider can receive payment for an enrollee taking a temporary absence. Additionally, the budget proposal would standardize rates paid for unregulated relative and neighbor care.

Tobacco Settlement Fund Highlights

The governor's budget proposal allocates \$331.7 million of Tobacco Settlement Fund revenue to health related activities.

Tobacco Settlement Fund (\$ in Millions)	2012/13
Medical Care for Workers with Disabilities	\$ 62.222
Home and Community-Based Services	\$ 40.424
<i>Dept of Aging - Care Management</i>	<i>32.183</i>
<i>Dept of Public Welfare - Services</i>	<i>8.241</i>
Tobacco Use Prevention and Cessation	\$ 13.993
Hospital Uncompensated Care program	\$ 25.436
PACEnet Transfer	\$ 24.877
Medical Assistance - Long Term Care	\$ 161.765
Life Sciences Greenhouses	\$ 3.000
Total	\$ 331.718

The governor proposes the following funding changes to redirect \$164.8 million to both Long Term Care (\$161.8 million) and Life Sciences Greenhouses (\$3 million):

- Eliminates all funding allocated for **Health Research** (\$59.1 million) – this proposed cut is new.
- Reduces the funding allocations for **Tobacco Use Prevention and Cessation Activities** by 62.5 percent, or \$23.3 million, for **Uncompensated Care Payments** to hospitals by 18.2 percent, or \$5.7 million, for health care insurance for low-income adults previously allocated for adultBasic by 33.3 percent, or \$31.1 million, and for the Health Endowment Account by 100 percent, or \$24.9 million – these are the same percentage reductions as in Act 26 of 2011.
- Redirects the **Strategic Contribution Payment** (\$20.8 million) that otherwise would be deposited into the Health Endowment Account – this same action was taken in Act 26 of 2011.

The Tobacco Settlement Funds redirected to Long Term Care in the Department of Public Welfare serve to reduce the amount of General Funds that would otherwise be required to pay for the cost of nursing home care in the Medical Assistance program.

Executive Offices

The governor's budget proposal cuts the Governor's Office by 5 percent, or \$325,000. It also proposes to cut the Office of Administration by 4 percent, or \$341,000. The Office of General Counsel and the Budget Office are also cut by 5 percent.

The governor's budget includes a supplemental appropriation request for the **Office of the Receiver for the City of Harrisburg** of \$1 million in 2011/12. The **governor proposes to double funding to \$2 million in 2012/13.**

Department of Agriculture

The governor's budget proposal eliminates seven appropriations from the Department of Agriculture including Agricultural Excellence, Agricultural Research, and Agricultural Promotion, Education, and Exports.

His budget proposal also uses the Race Horse Development Fund to support payments to Pennsylvania Fairs, Transfers to Agricultural College Land Scrip Fund, University of Pennsylvania Veterinary Activities, and University of Pennsylvania Center for Infectious Diseases.

Department of Corrections

The governor's budget proposal provides level funding for the Department of Corrections while 192 positions will be eliminated. Cost savings of \$21.2 million is anticipated from reductions in contracted medical care costs within the Inmate Medical Care appropriation. The governor proposes \$8.2 million for salary increases to address corrections management pay compression that stemmed from union employees receiving increases while management did not receive pay increases.

State Police

This budget proposal provides funding for a class of 115 cadets. He also proposes cutting \$8 million from the reimbursements made to local municipalities for vehicle code violations made by the State Police and uses these funds to pay for radio equipment and other protective devices.

Board of Probation and Parole

The Board of Probation and Parole will receive an overall increase of 3.8 percent in funding for 13 new agents and three new investigators for the Sexual Offenders Assessment Board to meet new Megan's Law requirements.

Department of Environmental Protection

Gov. Corbett's 2012/13 budget proposal eliminates the Sewage Facilities Planning Grants program; shifting the burden to counties by forcing them to pay more toward the resolution of sewage disposal problems and future disposal needs. This change could have a significant impact on counties in the Marcellus Shale Natural Gas region who may be forced to deal with increased sewage disposal issues because of drilling activities. The Sewage Facilities Enforcement Grants program was also eliminated.

Gov. Corbett's proposal eliminates funding for the Ohio River Basin Commission.

The Environmental Program Management and Environmental Protection Operations appropriations were reduced by 11 percent and 4.6 percent, respectively. Gov. Corbett's 2011/12 budget eliminated 69 positions. In the budget, the governor proposes eliminating an additional 11 positions. The continual funding and staff cuts to the Department of Environmental Protection (DEP) undermines the agency's ability to monitor the growing oil and gas industry and protect Pennsylvania's valued natural resources.

Department of Conservation and Natural Resources

Gov. Corbett's 2012/13 budget reduces total funding for the Department of Conservation and Natural Resources (DCNR) by \$43.7 million, or 16 percent. The cut is largely due to the governor redirecting \$24.7 million the department received in 2011/12 from the Keystone Recreation, Park and Conservation Fund to the General Fund.

Keystone Recreation, Park and Conservation Fund

Gov. Corbett's budget proposal raids a total of \$38.6 million from the Keystone Recreation, Park and Conservation Fund, moving it to the General Fund. No money is allocated to DCNR in 2012/13; in 2011/12, DCNR received \$24.7 million from the Keystone Recreation, Park and Conservation Fund.

Environmental Stewardship Fund

Compared with what is available for 2011/12, Gov. Corbett's 2012/13 budget proposal reduces the DCNR's Community Conservation Grants by 71 percent. Similarly, DEP's Watershed Protection and Restoration program is reduced by 78 percent.

Oil and Gas Lease Fund

The receipts from rents and royalties are estimated to be roughly \$3 million less than in 2011/12 because of lower gas production on state forest land. However, royalty revenues are projected to increase over the next few years.

Department of General Services

Gov. Corbett's budget proposal would eliminate 62 positions in the Department of General Services, a nearly 6 percent staff reduction. Corbett includes a 404 percent, or \$2 million, increase in funding for Capitol Fire Protection.

Department of Drug and Alcohol Programs

The 2012/13 budget proposal reflects Act 50 of 2010 which transferred the Bureau of Drug and Alcohol Programs in the Department of Health (DOH) to a new Department of Drug and Alcohol Programs (DDAP). The budget proposal transfers operations (including 76 positions) and grant programs from DOH to DDAP. The proposal includes an increase of \$534,000 for Assistance to Drug and Alcohol Programs; however, recall that the 2011/12 enacted budget reduced this appropriation by \$1 million.

Department of Health

Gov. Corbett's budget proposal moves operations of the currently independent Health Care Cost Containment Council (HC4) to the Department of Health (DOH). Additionally, the proposal transfers the stand-alone Patient Safety Trust Fund to DOH.

The proposal also reduces funding for several health appropriations by at least 5 percent (reflecting the carry-forward of announced 2011/12 budgetary freezes) and eliminates funding for many other programs.

Insurance Department - CHIP

The 2012/13 budget proposal includes an additional \$4.2 million for the Children's Health Insurance Program (CHIP) anticipating an increase of 725 children in average monthly enrollment.

Military and Veterans' Affairs

Gov. Corbett's 2012/13 budget proposal reduces funding for Veterans' Homes by \$6.2 million, or 6.7 percent. This includes a reduction of \$5 million associated with implementing a "uniform staffing and service model at all veterans' homes." The budget proposal eliminates 67 positions in Veterans' Homes.

The budget proposal transfers \$408,000 for Veterans' Assistance to a proposed Veterans' Services and Veterans' Outreach restricted account.

Pennsylvania Housing Finance Agency - Homeowners Emergency Mortgage Assistance (HEMAP)

In the spirit of transparency, the budget proposal moves funding under Pennsylvania Housing Finance Agency (PHFA) to the Department of Community and Economic Development (DCED). Then, after cutting Homeowners Emergency Mortgage Assistance (HEMAP) by \$8.5 million (81 percent) last year, the Governor's 2012/13 budget proposal eliminates funding for this program altogether. This program assists homeowners who, through no fault of their own, are unable to make their home mortgage payments.

Row Offices

The governor's budget proposal cuts 5 percent, or \$5.7 million, from the General Government Operations as follows:

- Auditor General — \$2.1 million
- Attorney General — \$1.9 million
- State Treasurer — \$1.7 million

Judiciary

The Judiciary receives level funding in the governor's budget proposal for fiscal year 2012/13.

Complement

Gov. Corbett plans to cut the number of employees providing state services by 649 full-time equivalent positions in 2012/13. The majority of those cuts come from the Department of Corrections, Department of Public Welfare and Department of Revenue. These are significant cuts in light of the governor's commitment to level funding for the Department of Corrections, increased work load with case reviews in the Department of Public Welfare, and plans to increase the workload of the Department of Revenue with a more aggressive revenue collections goal.

Since Gov. Corbett took office the number of filled positions has decreased by nearly 1,400 positions, from 76,663 in January 2011 to 75,272 as of January 2012. It is not known what portion of the decline is attributable to attrition versus layoffs or terminations. According to the overview of the economic outlook presented in the governor's 2012/13 budget proposal, government employment in Pennsylvania declined 2.7 percent in 2011. This represents job losses on both the state and local level and therefore shows more dramatic cuts to the number of local government employees.

Retirement Plans

PERC Eliminated

The governor's budget proposal recommends the elimination of the Public Employee Retirement Commission (PERC) and transfers its municipal pension oversight responsibilities to the Center for Local Government Services with the Department of Community and Economic Development. The remaining activities of the Commission will be administered by the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS). The proposal also eliminates \$690,000 from the General Fund and eliminates 7 positions. In DCED an offsetting increase of \$492,000 and 5 positions is reflected. Thus, a net decrease of \$198,000 General Fund and 2 positions results. There were no identifiable increases made available to PSERS or SERS for any services they may need to shoulder as a result of the proposed change.

Tax and Revenue Changes

Gov. Corbett's budget proposal includes **\$242.3 million in tax and revenue modifications** to the General Fund. Nearly **\$190 million of this comes from increases in tax revenue**, while the remaining \$52.4 million comes from transfers from other funds. The tax increases and transfers are as follows:

- **Tax Revenue**
 - **Vendor Sales Tax Discount** – Revenue increase of **\$41.3 million** proposed by imposing a cap of \$250 per month on the discounts that businesses currently receive for timely filed sales and use tax returns.
 - **Enhanced Enforcement Initiative** – Revenue of **\$21.6 million** is proposed by imposing authority to attach bank accounts of delinquent businesses and increasing penalties for failure to file pass-through entity information returns.

- **Cigarette Tax Transfer to Farmland Preservation** – Revenue of approximately **\$20.5 million** is proposed from eliminating the transfer of cigarette tax receipts to the Agricultural Conservation Easement Purchase Fund.
- **Gross Receipts Transfer to Alternative Fuels Incentive Grant Fund (AFIG)** – Revenue of **\$6.5 million** is proposed by eliminating the transfer of .25 mills of the gross receipts tax to AFIG.
- **Enhanced Revenue Collections Account** – Revenue of **\$100 million** is proposed by expanding and extending the agency appropriation for enhanced revenue collections. This proposal would extend the program for at least five years through 2016/17. Funding for this would come from increasing the augmentation from \$4.3 million to \$10 million in 2012/13.
- **Transfers (Non-Tax Revenue)**
 - Transfer from Pennsylvania Higher Education Assistance Agency (PHEAA) – Transfer of a proposed **\$13.8 million** in unused fiscal year 2011/12 funds to the General Fund.
 - **Transfer from Keystone Recreation, Park and Conservation Fund** – Transfer of approximately **\$38.6 million** to the General Fund.

Property Tax Relief

There are no significant changes expected with respect to property tax relief disbursements to homeowners and senior citizens. The Property Tax Relief Fund shows a marginal increase of only \$2.7 million for property tax relief and property tax/rent rebate for seniors. The official certification of relief and benefits will be announced by the Secretary of Budget in April.