



# 2022/23 Budget-in-Depth

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## **2022/23 BUDGET PACKAGE**

The 2022/23 budget package includes the following, which were all signed by the governor in July:

- General Appropriations (Act 1A/SB 1100)
- “Housekeeping” Appropriations (Acts 4A-12A/HBs 2653-2659; 2661, 2662)
- Non-Preferred Appropriations (Acts 2A and 3A/SBs 1105 and 1284)
- Fiscal Code (Act 54/HB 1421)
- Tax Code (Act 53/HB 1342)
- School Code (Act 55/HB 1642)

The General Assembly did not enact a capital budget for 2022/23, which is required to be annually enacted under the Pennsylvania Constitution. The commonwealth recently enacted a capital budget for 2021/22 at the end of May 2022.

A bill amending the Human Services Code impacting the budget was vetoed by the governor (Veto 6/HB 1420) on July 8, 2022. Parts of this bill were later amended into the final Fiscal Code bill.

Within the General Appropriations Act, the General Assembly appropriated \$85.887 billion in state and federal funds for the 2022/23 fiscal year. These appropriations comprise the bulk of the commonwealth’s operating budget. They are joined by \$438.3 million in state and federal appropriations within the separate appropriations bills for independent agencies and \$630.6 million through the non-preferred appropriations acts. The balance of the operating budget for other special funds and restricted accounts is set by executive action, under authority granted by prior acts of the General Assembly directing the use of those funds.

**The budget spends a total of \$42.766 billion from the state General Fund.** This is an increase of \$3.4 billion or 8.7% over the prior fiscal year, after adjusting for supplemental appropriations.

The General Appropriations Act increases net spending authority for the 2021/22 fiscal year by \$758.2 million. These supplemental appropriations, both increases and decreases, primarily affect five areas:

- **Enhanced FMAP:** Net decreases to state appropriations to account for additional federal funds received for Medical Assistance programs that were not anticipated when the 2021/22 budget was enacted. The extra federal enhanced match reduced the portion of costs paid with state funds.
- **Cycle Rolls:** Increased state appropriations to reverse changes to the payment schedule for managed care programs under the Department of Human Services, commonly called “cycle rolls.” The department will now be able to pay bills on a timelier schedule one month after coverage is provided.
- **Loan Repayments:** Repaying loans from the Workers’ Compensation Security Fund that were made to the General Fund in prior fiscal years.
- **State Police Funding Shifts:** Shifting more State Police costs into the General Fund and out of the Motor License Fund, freeing up resources for the repair and construction of roads and bridges.
- **Other Budgetary Adjustments:** Other net changes to appropriations to reflect budgetary changes that emerged during the fiscal year. Examples include a reduction to general obligation debt service due to the timing of bond issuances and a reduction to student transportation reimbursements, reflecting reduced student transportation costs for school districts and intermediate units over the last two years.

General Fund state spending for Medicaid programs continues to be impacted by the enhanced FMAP provided to states for the duration of the COVID-19 federal public health emergency. The increased match reduced state costs for these mandated expenses during the entirety of 2021/22.

For 2022/23 fiscal year, the budget assumes that enhanced FMAP will continue through the end of the 2022 calendar year. However, unlike the previous three fiscal years that used enhanced FMAP, the budget does not specifically appropriate the enhanced FMAP (or the adjustments needed for the extra quarters received in 2021/22.) Instead, it relies on the blanket authority provided to the governor by the General Assembly within the General Appropriations Act to adjust federal appropriations for COVID programs that are specifically tied to existing programs, like Medical Assistance.



Phasing out enhanced FMAP is an important factor driving part of the increase in total state appropriations for 2022/23. These increases do not reflect growth in the program but are purely a change in funding source. A year-over-year comparison with both state General Fund appropriations and enhanced FMAP helps illustrate this impact.

2022/23 Budget				
Year-Over-Year Change Including Enhanced FMAP				
<i>\$ amounts in billions</i>	2021/22 Revised	2022/23 Budget	\$ Change	% Change
General Fund State Appropriations	\$39.351	\$42.766	\$3.414	8.7%
Enhanced FMAP*	\$2.479	\$1.255	-\$1.223	-49.4%
<b>General Fund State + Enhanced FMAP</b>	<b>\$41.830</b>	<b>\$44.021</b>	<b>\$2.191</b>	<b>5.2%</b>

\* Enhanced FMAP totals are staff estimates as of July 2022.

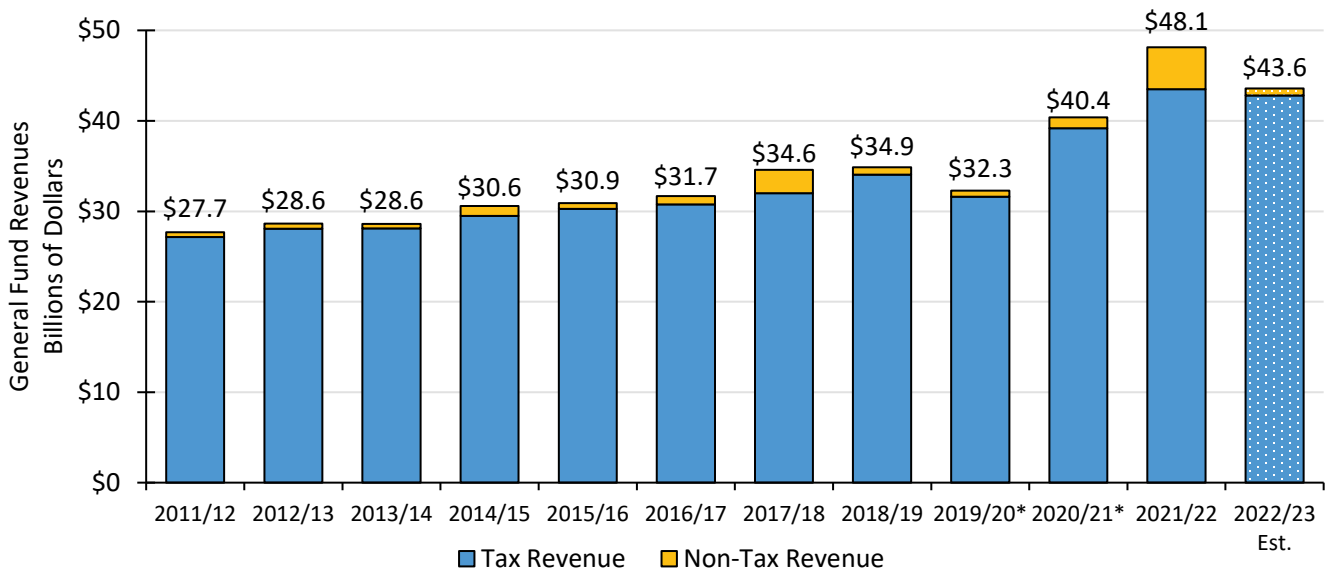
## Revenue

The foundation of the 2022/23 budget rests on the historic revenues collected in 2021/22. General Fund revenues the last fiscal year finished \$5.6 billion, or 13.2%, above the official estimate, with total revenues of \$48.13 billion.

After adjusting for non-recurring revenues, tax law changes, transfers, and increased tax credits, the 2022/23 official General Fund revenues estimate before refunds is \$43.579 billion, a decrease of \$4.56 billion.

Last year, the General Assembly transferred \$3.84 billion in federal American Rescue Plan - State Fiscal Recovery Funds to the General Fund. This one-time transfer constituted 8.0% of total revenues collected during the fiscal year. In addition to the transfer, a significant, though indeterminate, amount of 2021/22's revenue attributed to personal income tax on capital gains is expected to be nonrecurring next year. These large non-recurring revenues are a primary reason that total General Fund revenues for 2022/23 will decline year-over-year. Excluding the ARPA transfer, total General Fund revenues for 2022/23 decrease by \$713.5 million, or 1.6%.

General Fund Tax and Non-Tax Revenues  
Over Previous Ten Fiscal Years



\* 2019/20 and 2020/21 collection patterns affected by tax due date shift during pandemic



## Rainy Day Fund

The Fiscal Code makes a transfer of \$2.1 billion to the Budget Stabilization Reserve Fund, commonly called the Rainy Day Fund. The transfer will bring the total in the fund to \$4.96 billion, representing 11.6% of expenditures, or 42.3 days of spending. The median amount of Rainy Day Funds among other states at the end of fiscal year 2021 was 9.4%, or 34.4 days of spending, according to data compiled by the [Pew Charitable Trusts](#).

Current law requires 25% of the ending balance of the General Fund to be deposited into the Rainy Day Fund at the end of the fiscal year, though the General Assembly regularly modified that requirement in recent years. However, if the Rainy Day Fund balance is greater than 6% of actual revenues received for the fiscal year, the required transfer is reduced from 25% to 10% in recognition of the healthy balance. The Rainy Day Fund should be large enough to trigger that switch going forward, assuming the General Assembly does not enact changes requiring a different amount.

## TAX AND REVENUE CHANGES

### Corporate Net Income Tax Base and Rate Changes

The governor's executive budget proposed broadening the corporate net income tax (CNIT) base while gradually lowering the rate over eight years from 9.99 to 4.99 %. The proposed base-broadening consisted of three main parts – stronger addback provisions, market-based sourcing and economic nexus standards to bring in new taxpayers.

The enacted budget package incorporated a rate reduction and the market-based sourcing and nexus standards but did not include stronger addback provisions. The current 9.99% rate reduces to 8.99% beginning in 2023 and then reduces by a half a percentage point each year until it reaches 4.99% in 2031. These changes will help ensure that multi-state corporate groups are taxed on profits generated within the commonwealth leveling the playing field for corporations that operate primarily in Pennsylvania.

Market-based sourcing determines how much of a business's income is apportioned to Pennsylvania. The new provisions apportion more income to Pennsylvania by including:

- Sales to PA for intangible property that is leased or licensed in this state or if there is a contract right or government license that authorizes business in this state,
- Sales of securities to customers in PA, or
- Interest and fees received from loans for real estate or personal property located in PA, or where the lender is in PA or for credit cards billed to an address in PA.

Economic nexus standards pull establish that a corporation has a substantial business presence, and must remit tax on their profits, because of:

- Leasing or licensing intangible property utilized in Pennsylvania,
- Engaging in transactions with customers in this state involving intangible property or loans, or
- Sales of intangible property utilized within Pennsylvania.

There is a rebuttable presumption that a corporation with \$500,000 or more of sales sourced to Pennsylvania has substantial nexus without regard to physical presence in this state.

CNIT Net Fiscal Impact (\$ amounts in millions)				
2022/23	2023/24	2024/25	2025/26	2026/27
\$ (126.60)	\$ (305.30)	\$ (408.10)	\$ (585.20)	\$ (774.10)

The net fiscal impact of the enacted CNIT changes is a larger tax cut than the governor proposed – especially in future years.



## Pennsylvania Dependent and Child Care Enhancement Program

Taxpayers eligible for the federal Child and Dependent Care Tax Credit are automatically eligible for a new state Dependent and Child Care Tax Credit. Like the federal credit, this is a refundable credit for child and dependent care expenses necessary to allow the caregiver to work.

- The formula to calculate the tax credit is as follows:  
$$\text{Expenses} \times \text{Income-based percentage} \times 30\% = \text{Tax Credit}$$
- Expenses - Capped at \$3,000 for one child and \$6,000 for two or more children.

Income-based percentage - 35% for income of \$15,000 or less; 20% for income of \$42,000 or more; a sliding scale applies to income between that range as provided by Internal Revenue Code Section 21(2)(a). Federal eligibility is currently for income up to \$438,000. The maximum credit at an income level of \$15,000 is \$315 for one child or dependent and \$630 for two or more children. The maximum credit at an income level of \$42,000 or more is \$180 for one child and \$360 for two or more children.

The Department of Revenue estimates that 221,000 families will benefit from the program with an average credit of \$171 per year.

## Transfers

Two transfers of note impacting General Fund revenues are included in the Fiscal Code bill.

- \$12.317 million from personal income tax revenues to the Environmental Stewardship Fund, similar to transfers in previous fiscal years.
- \$45 million from personal income tax revenues to the Election Integrity Restricted Account. This program provides grants to counties through the [Department of Community and Economic Development](#).

## **AMERICAN RESCUE PLAN - STATE FISCAL RECOVERY**

The American Rescue Plan Act provided a total of \$7.291 billion to the commonwealth in State Fiscal Recovery Funds. States can use these funds to flexibly respond to the health, economic and budgetary impacts of the pandemic.

The General Assembly required all COVID-19 response funds from the federal government that were not required to augment specific programs or be driven out via formula to be spent only upon appropriation. Previously, the General Assembly directed \$3.84 billion to the General Fund to replace lost revenues and used another \$1.29 billion on a variety of programs to respond to the pandemic. Entering the 2022/23 budget, \$2.16 billion remained available to spend.

The budget appropriated all remaining ARPA State Fiscal Recovery funds. The following table summarizes the plan, and specific uses of these funds across different departments are discussed through the agency sections of this document.



<b>American Rescue Plan - State Fiscal Recovery Fund Appropriations</b>	
	Amounts in Millions
Total ARPA - State Fiscal Recovery Fund Allocation	\$7,291.3
Transfer to General Fund - Revenue Replacement	\$3,841.0
Appropriated previously by the General Assembly	\$1,288.0
<b>ARPA Funds Remaining</b>	<b>\$2,162.3</b>
<b>New Appropriations:</b>	
<b>Public Safety</b>	
PCCD - Local Law Enforcement Support	\$135.0
PCCD - Gun Violence Investigation and Prosecution	\$50.0
PCCD - Violence Intervention and Prevention	\$75.0
<b>Human Services</b>	
DHS - Child Care Stabilization	\$90.0
DHS - Long Term Living Programs	\$250.0
DHS - Mental Health Programs	\$100.0
DHS - Low-Income Home Energy Assistance Program (LIHEAP)	\$25.0
<b>Environment</b>	
CFA - Water and Sewer Projects	\$320.0
DCNR - State Parks and Outdoor Recreation Program	\$100.0
DEP - Transfer to Clean Streams Fund	\$220.0
<b>Education</b>	
PASSHE Universities	\$125.0
PHEAA - Student Loan Relief for Nurses Program	\$35.0
<b>Housing</b>	
PHFA - Development Cost Relief Program	\$150.0
PHFA - Affordable Housing Construction	\$100.0
DCED - Whole Home Repairs Program	\$125.0
<b>Other</b>	
Transfer to UC Trust Fund	\$42.3
Exec. Offices - Pandemic Response	\$40.0
DCED - Historically Disadvantaged Business Assistance	\$20.0
CFA - Cultural and Museum Preservation Grant Program	\$15.0
Health - Biotechnology Research	\$5.0
Property Tax/Rent Rebate	\$140.0
<b>Subtotal - New Appropriations</b>	<b>\$2,162.3</b>



## **INFRASTRUCTURE INVESTMENT AND JOBS ACT (IIJA)**

The 2022/23 budget appropriates \$1.34 billion in IIJA funding, divided into two broad categories:

- Funding for Environmental priorities \$427.9 million, within DEP, DCNR, and PennVEST.
- Funding for Other Infrastructure - \$913.1 million, within Executive Offices, PennDOT, DCED, and PSP.

<b>2022/23 Infrastructure Investment and Jobs Act (IIJA) Appropriations</b>			
(\$ amounts in millions)			
<b>Dept/Area</b>		<b>Amt</b>	<b>Totals</b>
<b>Environmental Protection (DEP)</b>	IIJA - Orphan Well Plugging	\$ 105.0	
	IIJA - Assistance for Small & Disadvantaged Communities	\$ 28.1	
	IIJA - DOE Energy Programs	\$ 22.3	
	IIJA - Electric Grid Resilience	\$ 13.2	
	IIJA - Energy Efficiency & Conservation	\$ 4.0	
	IIJA – Water Quality Management Planning Grants	\$ 1.0	
	IIJA – Nat'l Dam Safety Program	\$ 0.1	
	IIJA – Chesapeake Bay	\$ 1.8	
	IIJA – USDA Good Neighbor Authority	\$ 0.7	
	IIJA – Nat'l Fish & Wildlife Foundation	\$ 7.5	
	IIJA – Brownfields	\$ 2.0	\$ 185.7
<b>Conservation and Natural Resources (DCNR)</b>	IIJA – Community Wildlife Defense Grant Program	\$ 0.4	\$ 0.4
<b>PennVEST</b>	IIJA - Drinking Water Projects Revolving Loan Fund	\$ 125.0	
	IIJA - Loan Program Administration	\$ 5.1	
	IIJA - Technical Assistance to Small Systems	\$ 2.3	
	IIJA - Technical Assistance to State Programs	\$ 13.0	
	IIJA - Local Assistance and Source Water Pollution	\$ 21.5	
	IIJA - Sewage Projects Revolving Loan Fund	\$ 75.0	\$ 241.9
<b>Exec Offices</b>	IIJA - State Cyber Security	\$ 1.1	\$ 1.1
<b>PennDOT</b>	IIJA - Highway & Safety Capital Projects*	\$ 748.0	\$ 748.0
<b>Community and Economic Development (DCED)</b>	IIJA - Weatherization Administration	\$ 2.8	
	IIJA - Broadband Equity Access and Development	\$ 100.0	
	IIJA - State Digital Equity Capacity	\$ 1.6	
	IIJA - Local Cyber Security	\$ 4.3	
	IIJA - DOE Weatherization Program	\$ 47.2	\$ 155.9
<b>State Police (PSP)</b>	IIJA - Motor Carrier Safety	\$ 8.1	\$ 8.1
		<b>\$ 1,341.1</b>	<b>\$ 1,341.1</b>

\*IIJA funds within PennDOT are utilized within Highway Maintenance appropriation and State Bridge EA, to directly offset state expenditures





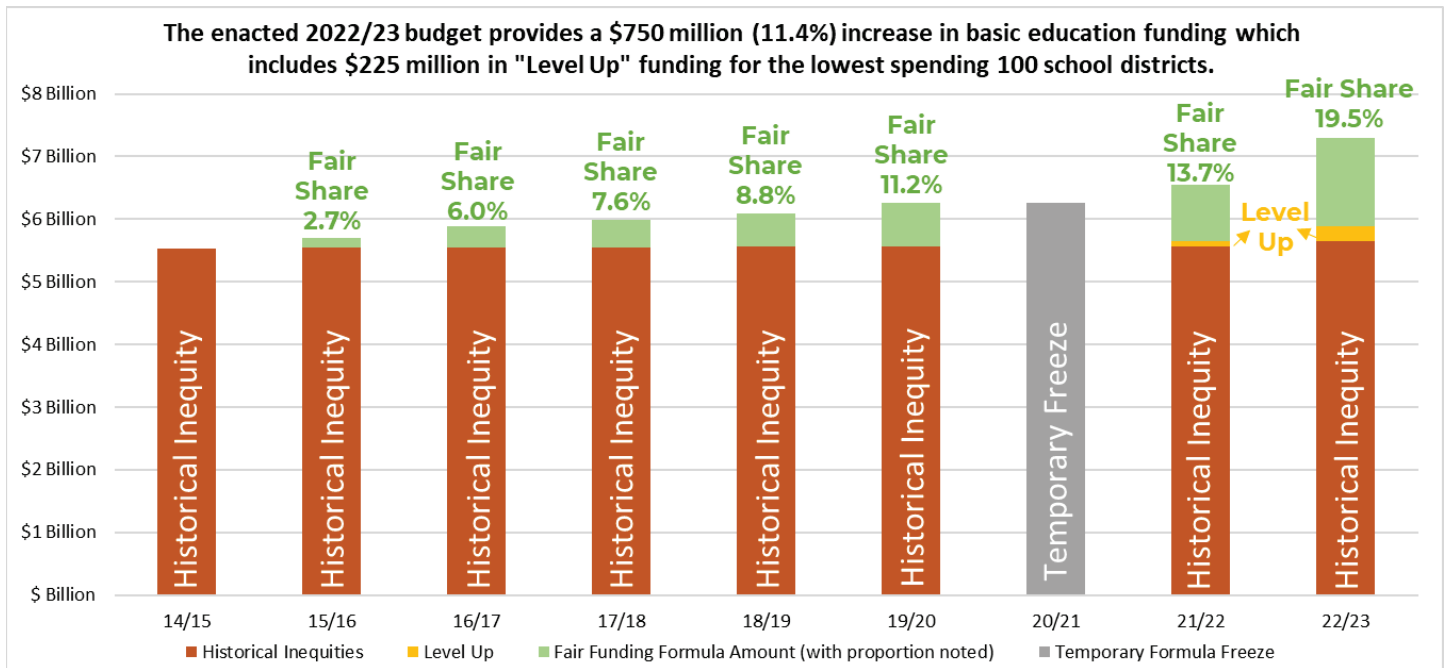
# EDUCATION - PRE-K TO 12

## Basic Education

Basic education funding (BEF) is the largest state education subsidy, representing just over half of all funds the state provides to school districts each year.

The 2022/23 budget increased the BEF fair funding formula distribution by \$525 million and added another \$225 million through Level Up for the 100 neediest schools. This \$750 million or 11.4% increase is more than the increases included in the previous five budgets combined.

The estimated distribution by school district is available [here](#). The median increase across all school districts is 7.4%, and 25 Level Up school districts will receive an increase above 20%.



In 2021/22, Level Up was a \$100 million component of the BEF appropriation. In 2022/23, there is a separate \$225 million appropriation for Level Up, but although appropriated separately, the Level Up funding still becomes part of a school district's recurring base BEF amount going forward.

The BEF appropriation includes both the basic education subsidy and the state's contributions to school districts for school employees' social security.

Basic Education Funding (BEF) Appropriation \$ amounts in thousands	Actual FY18-19	Actual FY19-20	Actual FY20-21	Revised FY21-22	Budget FY22-23	22/23 Budget less 21/22 Revised	
Basic Education Funding	\$6,095,079	\$6,742,838	\$6,794,489	\$7,082,304	\$7,625,124	\$542,820	7.7%
BEF Portion	\$6,095,079	\$6,255,079	\$6,255,079	\$6,555,079	\$7,080,079	\$525,000	8.0%
Social Security Portion	\$0	\$487,759	\$539,410	\$527,225	\$545,045	\$17,820	3.4%

Note for Social Security Portion: 2021/22 includes a \$15.5 million supplemental appropriation; 2020/21 current year costs were \$501.8 million (the amount shown included \$37.6 million to cover shortfalls from prior years)

For the 2022/23 **Ready to Learn Block Grant**, the School Code amendments specify each school entity will receive the same amount it received during the 2021/22 fiscal year (see [PDE's estimated 22-23 RTL distribution](#)). This formula encumbers \$269.5 million, and there is a \$100 million transfer from the Ready to Learn Block Grant appropriation to the School Safety and Security Fund for mental health grants.



## Special Education

The 2022/23 budget contains a \$100 million, or 8.1%, increase in Special Education Funding (SEF). Since 2014/15, SEF payments to school districts have been distributed through the fair funding formula recommended by the bipartisan Special Education Funding Commission (SEFC). The formula uses local wealth factors and a weighted special education student count based upon three tiers of student need to determine the distribution of funds. In 2022/23, 23% of special education funding will go through this fair funding formula, while the pre-2014/15 share (77%) remains subject to hold-harmless. In other words, the 2013/14 allocation is locked-in and only the new funding added since 2014/15 is dynamic and based upon the most up-to-date student counts and wealth factors.

The 2022/23 School Code amendments codified all but one of the December 2021 recommendations of the reconstituted SEFC, and these changes are in effect for the 2022/23 fiscal year. The recommendations included using updated weights between the three tiers of need to reflect a more recent survey of school district costs, locking-in the data prior to the start of the year to enhance the predictability of the distribution, requiring more data transparency, and collecting additional data on the lowest cost students.

The only recommendation not enacted concerned increasing the share (currently one percent) of the total special education funding appropriation designated for the Contingency Fund, which makes extra state funding support available for individual students costing more than \$75,000. The recommendations included prioritizing any increase in the Contingency Fund for school districts with both high-cost students and smaller overall budgets.

Special education services are consistently identified as a top cost-driver for school districts. A recent [report](#) found that the state's share of special education funding declined from about 33% of costs to 22% over the last decade.

## Early Childhood Education

The enacted budget provides a \$60 million, or 25%, increase for **Pre-K Counts**. About two-thirds of this increase will support the higher grant rate enacted in the Fiscal Code amendments (a 14% increase; from \$8,750 to \$10,000 for a full-time slot). The remaining funding is estimated to support an additional 2,300 seats. New funding for Pre-K Counts slots is awarded on a competitive basis.

The 2022/23 budget also includes a \$19 million increase for **Head Start Supplemental Assistance** to meet the growing costs of the program with no new seats anticipated.

**Early Intervention (ages 3-5)** receives a \$10 million, or 3%, increase.

## Career and Technical Education

The enacted budget increases the Career and Technical Education subsidy by \$6 million, or 8.4%, for a total of \$78.9 million. About \$67.3 million will go to Career and Technology Centers, while school districts and charter schools with qualifying programs will receive \$11.1 million and \$560,000, respectively.

The total 2022/23 Career and Technical Education appropriation is \$105.1 million, and in addition to the subsidy and PA Smart grants, it regularly includes funding for personnel and curriculum development, economic development initiatives, licensed practical nursing programs, adult career and technical education, and competitive equipment grants.

## Dual Enrollment

The 2022/23 budget provides \$7 million for the Dual Enrollment grants program, which was last funded in 2010/11 at \$7 million. These funds reimburse school entities that cover the approved costs for a secondary student to concurrently enroll in postsecondary courses. The student receives both post-secondary and secondary credit for completed classes, which makes higher education more affordable and exposes the student to post-secondary pathways.



## School Safety

The 2022/23 budget includes \$200 million for physical and mental health safety in schools.

- A new \$100 million appropriation in PDE is for physical safety
  - \$95 million for physical safety grants to school entities (formula driven, not competitive)
    - \$100,000 for each school district, plus \$15 per student
    - \$70,000 for each charter school, Intermediate Unit, and Area Career and Technical Center
  - \$5 million for the School Safety and Security Committee (SSSC) to develop and provide training to school safety and security coordinators
    - At least 4% (\$200,000) of these funds will be used to support the Safe2Say program
- \$100 million of the increase in the Ready to Learn Block Grant is for mental health support
  - \$95 million for mental health grants to school entities (formula driven, not competitive)
    - \$100,000 for each school district, plus \$15 per student
    - \$70,000 for each charter school, Intermediate Unit, and Area Career and Technical Center
  - \$5 million for the new School-Based Mental Health Internship Program under PHEAA
    - Grants for Commonwealth residents working in internships in educational specialist preparation programs at Pennsylvania school entities
    - Grant recipients must agree to work in a school entity in Pennsylvania as a school nurse, school psychologist, school counselor or school social worker for a minimum of three years following the completion of their program
    - PHEAA will determine the amount of the grant awards

Estimates by school district and details about the uses of these funds are available [here](#).

Since its inception in 2018, the SSSC's funding amounts, sources, and uses have varied from year to year. The pandemic necessitated a focus on health and safety, and the influx of federal ARP ESSER funding for schools justified a funding holiday in 2021/22. The 2022/23 funding brings a dedicated focus to the mental health side of school safety, and it emphasizes using the funds to meet the [baseline](#) physical safety and mental health supports identified by the SSSC.

In addition to funding for schools, the SSSC provides resources for organizations focused on community violence prevention (see PCCD section for more information).

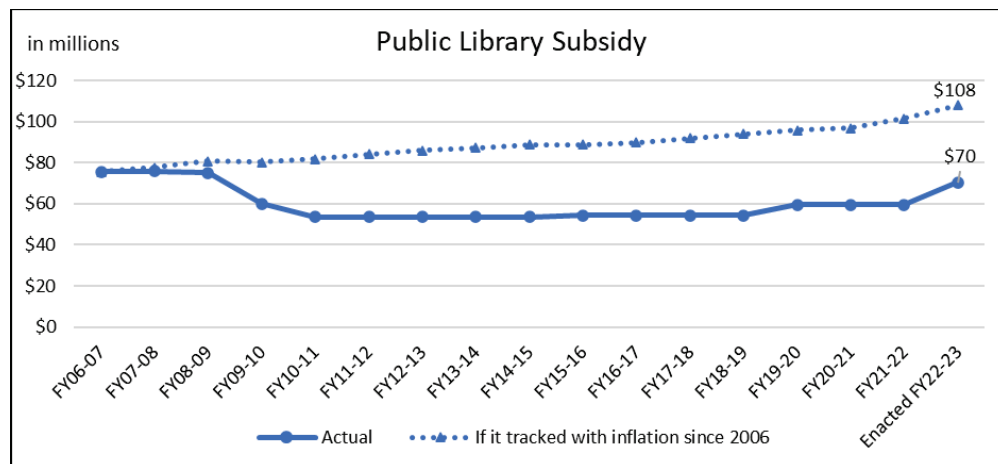


Summary of School Safety and Security Committee Funding	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Expenditures:</b>					
Original SSSC Grants to School Entities	\$52,500,000	\$52,500,000	\$0	\$0	\$0
Physical Safety Grants to School Entities	\$0	\$0	\$0	\$0	\$95,000,000
Administration of School Safety and Security Coordinator Training	\$0	\$0	\$0	\$0	\$5,000,000
Mental Health Grants to School Entities	\$0	\$0	\$0	\$0	\$95,000,000
School-Based Mental Health Internship Program	\$0	\$0	\$0	\$0	\$5,000,000
Community Violence Prevention Grants	\$7,500,000	\$7,500,000	\$7,500,000	\$0	\$0
COVID-19 School Health and Safety Grants	\$0	\$0	\$199,762,000	\$0	\$0
COVID-19 Non-public School Health and Safety Grants	\$0	\$0	\$7,500,000	\$0	\$0
Violence Intervention and Prevention (VIP) Grants	\$0	\$0	\$0	\$45,000,000	\$105,000,000
SSSF Total Expenditures:	\$60,000,000	\$60,000,000	\$214,762,000	\$45,000,000	\$305,000,000
<b>Revenues:</b>					
Transfer from the Personal Income Tax	\$15,000,000	\$45,000,000	\$0	\$0	\$0
Judicial Computer System Augmentation Account	\$15,000,000	\$15,000,000	\$15,000,000	\$0	\$0
Veto-Restored Legislative Funds	\$30,000,000	\$0	\$0	\$0	\$0
Federal Coronavirus Relief Funding (CARES Act)	\$0	\$0	\$150,000,000	\$0	\$0
Federal COVID ESSER-SEA funding (CARES Act)	\$0	\$0	\$49,762,000	\$0	\$0
Transfer to School Safety and Security Committee Appropriation (PDE)	\$0	\$0	\$0	\$0	\$100,000,000
Transfer from Ready to Learn Block Grant Appropriation (PDE)	\$0	\$0	\$0	\$0	\$100,000,000
Violence Intervention and Prevention (VIP) Appropriation (PCCD)	\$0	\$0	\$0	\$30,000,000	\$30,000,000
Violence Intervention and Prevention (VIP) - ARP State Fiscal Recovery	\$0	\$0	\$0	\$15,000,000	\$75,000,000
SSSF Total Revenues:	\$60,000,000	\$60,000,000	\$214,762,000	\$45,000,000	\$305,000,000

Note: Appropriation Basis

## Public Library Funding

The 2022/23 budget provides the Public Library Subsidy with an \$11 million, or 18.5%, increase. This funding brings support for libraries close to the 2006/07 funding level in nominal terms, but library support lags well behind its inflation-adjusted total from 2006/07.

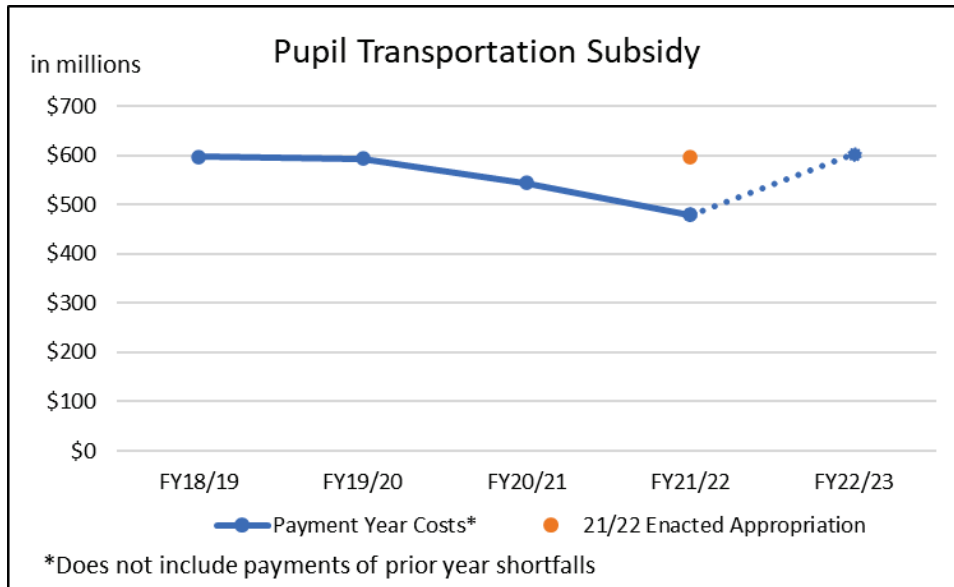


## Pupil Transportation

The past few years have seen uncertainty in the state's pupil transportation subsidy stemming from the disruptions to in-person learning. In November 2020, the legislature passed Act 136, which offered level pupil transportation funding for any school entity that continued to make payments to bus transportation contractors. The goal of this incentive was to provide some stability to the bus transportation sector, but the unknown cost of this new variable also created more unpredictability in the amount needed in the state pupil transportation subsidy.



The state's pupil transportation subsidy reimburses Intermediate Units based upon current year transportation activity and school districts for prior year activity. The transportation data submitted by school entities for the reimbursement calculation show a pandemic related decline in fiscal years 2020/21 and 2021/22. For 2021/22, the legislature appropriated \$597 million, which was in line with pre-pandemic numbers. However, the final reimbursements came to \$479 million, allowing the General Assembly to make a downward adjustment of \$118 million to the 2021/22 appropriation. The 2022/23 enacted budget provides \$603 million for pupil transportation.



### Educational Tax Credits

The School Code amendments included in the 2022/23 budget package increased the educational tax credits by \$125 million, or 45%.

There are four types of organizations under the educational tax credit article in the Public School Code:

- Scholarship Organizations – benefit tuition-paying students (i.e., private school students)
- Pre-K Scholarship Organizations – benefit public and private pre-k students
- Educational Improvement Organizations – benefit innovative education programs (e.g., programs offered by libraries, museums, civic clubs, community centers, public or private schools, etc.)
- Opportunity Scholarship Organizations - benefit students residing in the attendance area of a low-achieving (bottom 15% of achievement) school; award goes toward school-based fees for private or public school

The supplemental scholarship for students attending economically disadvantaged schools was added in 2019/20, and it piggybacks off an existing scholarship organization.

Between 2015/16 and 2021/22, the Scholarship Organization cap increased by \$115 million or 192%, while the caps for the other three organizations remained the same. Breaking this trend, the 2022/23 budget increased the cap for each program.



<b>Educational Tax Credits Summary</b>	<b>2021/22 Cap</b>	<b>2022/23 Cap</b>	<b>Year over Year Change</b>	
Scholarship Organizations	\$175,000,000	\$263,000,000	\$88,000,000	50%
Earmarked for Economically Disadvantaged Scholarships	\$0	\$12,000,000	\$12,000,000	
Educational Improvement Organizations	\$37,500,000	\$44,500,000	\$7,000,000	19%
Pre-Kindergarten Scholarship Organizations	\$12,500,000	\$20,500,000	\$8,000,000	64%
<b>Educational Improvement Tax Credit (EITC) Total:</b>	<b>\$225,000,000</b>	<b>\$340,000,000</b>	<b>\$115,000,000</b>	<b>51%</b>
Opportunity Scholarship Organizations	\$50,000,000	\$65,000,000	\$15,000,000	30%
Earmarked for Economically Disadvantaged Scholarships	\$5,000,000	\$0	-\$5,000,000	100%
<b>Opportunity Scholarship Tax Credit (OSTC) Total:</b>	<b>\$55,000,000</b>	<b>\$65,000,000</b>	<b>\$10,000,000</b>	<b>18%</b>
<b>Educational Tax Credits Total:</b>	<b>\$280,000,000</b>	<b>\$405,000,000</b>	<b>\$125,000,000</b>	<b>45%</b>

However, a new transparency measure was applied only to the scholarship organization that administers the supplemental awards for students attending economically disadvantaged schools. This organization must additionally report the scholarship awards by family household income and the school that the student attended in the year prior to receiving the scholarship award.

Scholarship Organizations and Pre-Kindergarten Scholarship Organizations are still only required to report the total number and amount of scholarships awarded. This limited data collection means “key data necessary to thoroughly evaluate the program are not available,” (p. 30) as noted by the Independent Fiscal Office (IFO) in its January 2022 Performance-Based Budget report on Pennsylvania’s educational tax credits. The IFO recommended robust data collection across all the organization types.

The School Code amendments also expanded the number of schools that qualify as economically disadvantaged for the purposes of the supplemental scholarships for students who attend those schools.

### Charter School Reform

The 2022/23 budget did not include the charter school funding reforms proposed by the governor and contained in [House Bill 272](#). These reforms would save school districts an estimated \$373 million each year by using a data-driven and need-based charter school tuition calculation rather than continuing to use the outdated assumption model from 1997.

The School Code amendments also abolish the **charter school regulations** approved by a 3-2 vote in March 2022 by the Independent Regulatory Review Commission. The charter school regulations, which had not yet gone into effect, reinforced strong financial accounting and ethical governing practices, including requiring charter school board members to recuse themselves from votes presenting a conflict of interest and to file statements of financial interest. The regulations also provided clarification and transparency regarding charter schools’ payment processes, application information, relationships with education management service providers, and enrollment policies.

### Policy Changes

The School Code amendments considered part of the 2022/23 budget package contained a greater number of non-funding-related policy provisions compared to previous years. Following is an overview of the more substantial K-12 policy changes not already mentioned:

- “2030 Commission”
  - A large Commission tasked with issuing a report on long-term educational and workforce goals to the General Assembly (originally [SR144](#))
- Educational and Professional Development Online Course Initiative
  - Requires PDE to host a catalog of online school courses and professional development courses (originally [HB1330](#))
  - Per the Fiscal Code amendments, PDE’s general government operations appropriation includes \$1.5 million to implement this initiative
- Home Education Program



- Beginning with 2023/24, the school district of residence shall develop policies and procedures to permit a child who is enrolled in a home education program to:
  - participate on the same basis as other students in any cocurricular activity
  - participate in academic courses equaling up to at least one quarter of the school day
- Originally [HB1041](#)
- Lunch Shaming
  - Increases the “alternative meal” outstanding lunch debt threshold from \$50 to \$75
  - Changes the “may” to a “shall” in regard to a school having to offer families assistance with applying for participation in the school food programs
  - Clarifying that a board of school directors cannot have a policy requiring a student or staff to discard a school meal after it was served to the student
- Extended enrollment for special education students
  - Allows special education students who turned 21 years old in 2021/22 to elect to return for another year. Due to aging out, these students, whose transition services were disrupted by the pandemic, did not get the true option year afforded by [Act 66 of 2021](#).
- School safety training
  - Additional training requirements for school employees
- Drug and Alcohol Recovery High School
  - Makes the program permanent by removing the pilot status
- Talent Recruitment
  - Establishes the Talent Recruitment Grant Program (no funding source identified) to provide grants to institutions of higher education to cover the tuition or fees of secondary students or implement programs that will increase the education workforce (originally [SB99](#))
  - Requires PDE to designate a Chief Talent Officer who is responsible for coordinating recruitment and retention efforts in the education workforce, including increasing participation in education-related jobs by people in communities that have low participation in the education workforce.
  - Requires PDE to annually collect and publicly post information about the demographics of educators and administrators throughout the educator pipeline process

## **HIGHER EDUCATION**

### Institutions of Higher Education

#### *Pennsylvania State System of Higher Education (PASSHE)*

The Pennsylvania State System of Higher Education received a \$75 million increase, or 15.7%. This meets the system and governor’s request and is critical to the health of the state universities, including the two new integrated universities, Commonwealth University and Pennsylvania Western University.

The Board of Governors adopted a new distribution formula this year, which will be used to drive out the state appropriation to the universities. The formula is 25% based on core operations costs common to all universities of all sizes, and 75% based on enrollment. The enrollment portion prioritizes Pell-eligible students, under-represented groups, student progress toward degree attainment and the program level of the student.

The budget also appropriates \$125 million of ARPA State Fiscal Recovery Funds to the system. In accordance with the Fiscal Code, the two integrated universities will share \$34.3 million, as determined by the Board of Governors. Cheyney University will receive \$7.4 million, and the remaining universities will split \$83.3 million, allocated proportionally based on the average of full-time enrollment over the last two years.



<b>2022/23 PASSHE Appropriations Anticipated Distribution</b>						
<b>University</b>	<b>2021/22 State</b>	<b>2022/23 State</b>	<b>\$ Change</b>	<b>% Change</b>	<b>ARPA</b>	<b>2022/23 State + ARPA</b>
Cheyney	\$13.32	\$19.38	\$6.05	45.4%	\$7.37	\$26.75
Commonwealth	\$80.52	\$84.64	\$4.12	5.1%	\$17.15	\$101.78
East Stroudsburg	\$29.08	\$39.61	\$10.52	36.2%	\$7.37	\$46.98
Indiana	\$53.88	\$56.90	\$3.02	5.6%	\$12.27	\$69.16
Kutztown	\$37.20	\$46.43	\$9.23	24.8%	\$10.49	\$56.92
Millersville	\$35.71	\$42.03	\$6.32	17.7%	\$9.14	\$51.17
Pennsylvania Western	\$87.07	\$87.30	\$0.23	0.3%	\$17.15	\$104.45
Shippensburg	\$31.16	\$37.52	\$6.36	20.4%	\$7.79	\$45.31
Slippery Rock	\$41.54	\$51.26	\$9.72	23.4%	\$12.40	\$63.66
West Chester	\$62.26	\$81.43	\$19.17	30.8%	\$23.88	\$105.30
Chancellor's Office and Other Systemwide Initiatives	\$5.72	\$5.98	\$0.26	4.5%	\$0.00	\$5.98
<b>Total</b>	<b>\$477.47</b>	<b>\$552.47</b>	<b>\$75.00</b>	<b>15.7%</b>	<b>\$125.00</b>	<b>\$677.47</b>

\$ amounts in millions

Commonwealth University formerly Bloomsburg, Lock Haven and Mansfield

Pennsylvania Western University formerly California, Clarion and Edinboro

### *Community Colleges*

The primary operating appropriation that supports Pennsylvania's 15 community colleges received an \$11.3 million increase, or 4.6% to a total of \$256.5 million. Part of the increase is used to annualize funding for the new Erie Community College, which started operating last year. The remaining funds are driven out proportionally according to each college's share of full-time equivalent enrollment, according to the formula enacted with this year's School Code amendments.





### Community College Operating Appropriation Distribution

College	2022/23 Allocation	Increase	% Change
Allegheny	\$37,612,993	\$1,256,415	3.5%
Beaver	\$5,116,763	\$173,605	3.5%
Bucks	\$21,136,018	\$883,289	4.4%
Butler	\$8,883,469	\$303,779	3.5%
Delaware	\$20,296,850	\$846,012	4.3%
Erie	\$2,900,000	\$1,515,000	109.4%
Harrisburg	\$35,616,392	\$1,388,246	4.1%
Lehigh Carbon	\$14,564,918	\$607,676	4.4%
Luzerne	\$12,933,123	\$406,971	3.2%
Montgomery	\$20,882,974	\$891,573	4.5%
Northampton	\$17,736,367	\$786,606	4.6%
PA Highlands	\$3,078,846	\$158,576	5.4%
Philadelphia	\$33,527,111	\$1,239,848	3.8%
Reading	\$9,281,188	\$388,392	4.4%
Westmoreland	\$12,942,988	\$424,012	3.4%
<b>Total</b>	<b>\$ 256,510,000</b>	<b>\$ 11,270,000</b>	<b>4.6%</b>

In addition to the operating appropriation, community colleges received increased capital support, with a \$2.1 million, of 4%, increase to that appropriation.

#### *State-Related Universities*

The four state-related universities – Lincoln University, the University of Pittsburgh, Temple University and Penn State University – receive their funding outside of the General Appropriations Act due to special provisions under the Pennsylvania Constitution. In most previous years, the General Assembly appropriated money to each university in a separate bill. This year, the legislature combined all of the appropriations together into one bill, the State-Related University Nonpreferred Appropriation Act of 2022.

The state-related universities received flat funding for each of their state appropriations for educational support under the bill. However, from the ARPA funding appropriated for Pandemic Response, the universities will receive a supplement equal to a 5% increase over the state amounts appropriated in 2021/22 as proposed by the governor.

In addition to the education appropriations shown here, Penn State received a \$2.75 million, or 5%, increase for its agriculture programs under the Transfer to Ag Land Scrip Fund, in the Department of Agriculture's budget within the General Appropriations Act.



2022/23 State-Related University Funding (\$ amounts in millions)						
University	2021/22 State	2022/23 State	2022/23 ARPA Supplement	2022/23 Total	\$ Change	% Change
Penn State - General Support	\$242.10	\$242.10	\$12.11	\$254.20	\$12.11	5.0%
Pennsylvania College of Technology	\$26.74	\$26.74	\$1.34	\$28.07	\$1.34	5.0%
<b>Pennsylvania State University Total</b>	<b>\$268.83</b>	<b>\$268.83</b>	<b>\$13.44</b>	<b>\$282.27</b>	<b>\$13.44</b>	<b>5.0%</b>
Pitt - General Support	\$151.51	\$151.51	\$7.58	\$159.08	\$7.57	5.0%
Pitt - Rural Education Outreach	\$3.35	\$3.35	\$0.17	\$3.51	\$0.17	5.0%
<b>University of Pittsburgh Total</b>	<b>\$154.85</b>	<b>\$154.85</b>	<b>\$7.74</b>	<b>\$162.60</b>	<b>\$7.74</b>	<b>5.0%</b>
Temple - General Support	\$158.21	\$158.21	\$7.91	\$166.12	\$7.91	5.0%
Lincoln - General Support	\$15.17	\$15.17	\$0.76	\$15.92	\$0.76	5.0%

The Thaddeus Stevens College of Technology received a \$748,000, or 4%, increase in the budget. Similarly, the Northern Pennsylvania Regional College also received a 4%, or \$280,000, increase.

### [Pennsylvania Higher Education Assistance Agency \(PHEAA\)](#)

Most of the programs under PHEAA received an increase in the budget.

The agency's flagship program, the **State Grant Program**, received a \$20.6 million, or 6.6%, increase. Based on the formula adopted by the PHEAA Board in April and current enrollment trends, the increased resources should be sufficient to provide additional aid and provide around 108,000 Pennsylvania students with a state grant in the coming academic year.

Under the board-adopted formula, the maximum state grant award will increase to \$5,750, composed of a \$5,000 base award (same as 2021/22 amount) and an addition \$750 "pandemic inflation adjustment," as termed by PHEAA. While the board did not choose to fully incorporate the increase into the program, the additional inflation component is functionally the same for the student.

Funding for the **Ready to Succeed Scholarship** more than tripled to a total of \$23.9 million – an \$18.4 million increase. This year's School Code implementation language increased the household income limit from \$110,000 to \$126,000 per year. PHEAA estimates that the income limit expansion will extend awards to an additional 3,900 students, and the extra funding will be sufficient to increase the maximum award under the program to \$2,500, a \$500 increase.

The **PA Targeted Industry Scholarship Program**, or PA-TIP, increased by \$2.4 million, or 37.3%. This increase should be sufficient to fully fund the program's anticipated demand for this year.

The budget provides an additional \$2.6 million for the **Act 101 program**, bringing the program up to \$5 million in total funding. This increase more than doubles funding for the program, which provides grants to institutions to help ensure student success through advising, tutoring, counselling, enrichment, and other supports.

**Cheyney Keystone Academy** funding increased by \$480,000, or 13.7%.

On the federal side, the budget appropriates \$35 million of ARPA funds for a third round of funding for the **Student Loan Relief for Nurses** program. Under current program guidelines, an eligible Pennsylvania nurse can receive up to \$2,500/year in loan relief for three years, with a maximum benefit of \$7,500. This new funding will provide relief to more than 4,600 additional nurses.



PHEAA will administer a new \$5 million program created in the budget, the **School-Based Mental Health Internship Program**. The funding is found within the Ready to Learn Block Grant under the Department of Education and is a component of the mental health funding within the school safety and security package outlined under the School Code bill.

The new program will provide grants to commonwealth residents working in internships in educational specialist preparation programs at a Pennsylvania school entity, including school nurses, psychologists, counselors, or social workers. Recipients must agree to work in these roles for a minimum of three years following completion of their programs.

### Other Higher Education Investments

The budget contains \$1 million for the Hunger-Free Campus Initiative and a \$250,000 increase for sexual assault prevention on campus. Both appropriations support grants to institutions through the Department of Education.

## **HEALTH AND HUMAN SERVICES**

### Health

The enacted budget includes funding to annualize reimbursements to the new Delaware County Health Department and provides half year funding for the new Lackawanna County Health Department. In addition, funding is included to increase maximum reimbursements to **local health departments**. Reimbursements will still be limited to the lesser of 50% of costs or \$6 per capita. Historically, average per capita reimbursements were approximately \$4.66 per capita. Assuming every local health department maximizes their reimbursement, per capita payments are estimated to be \$5.38 with the funding increase.

Increased funding of \$2.5 million for the **Primary Health Care Practitioner** appropriation was enacted, bringing the total appropriation to \$7.1 million. The Fiscal Code directs \$1.4 million additional to be invested in loan repayments, \$442,000 additional to be invested in a residency program, and \$558,000 to be distributed proportionately to the remaining four grantees. The unallocated \$149,000 increase is assumed to be for department administrative costs related to the program.

Most **disease-specific appropriations** received funding increases. The appropriation for Amyotrophic Lateral Sclerosis (ALS) Support Services received an increase of \$651,000, or 77%. State funding for Bio-Technology Research was restored and increased to \$10.6 million. Several remaining disease-specific appropriations received a 6% increase in funding, including Diabetes Programs, Renal Dialysis, Adult Cystic Fibrosis and Other Chronic Respiratory Illnesses, Cooley's Anemia, Hemophilia, Lupus, Sickle Cell, Regional Poison Control Centers, Trauma Prevention, Epilepsy Support Services, Tourette Syndrome, Lyme Disease, and Leukemia/Lymphoma.

Administrative funding to the Department of Health is \$8.5 million less than levels requested by the governor, but still \$2.6 million, or 2.9%, greater than 2021/22.

### Drug and Alcohol Programs

General Funds to the Department of Drug and Alcohol Programs (DDAP) were enacted \$41,000 less than amounts requested by the governor, but still \$196,000 more than in 2021/22. Funding for Assistance to Drug and Alcohol Programs was held flat at \$44.7 million. The appropriation for General Government Operations was enacted at \$3.2 million, a 6.5% increase over 2021/22.

Funds appropriated to DDAP from the **Opioid Settlement** Restricted Account increased from \$5 million in 2021/22 to \$22.5 million in 2022/23 to reflect anticipated receipt of the first installments of the Johnson & Johnson and distributors settlement. These funds will be used to support opioid rescue, treatment, and prevention efforts in accordance with the settlement agreements.

### Human Services

The final enacted budget appropriates \$18 billion in state General Funds to the Department of Human Services (DHS). This represents a \$1.5 billion, or 9.3% increase, over 2021/22.

The federal government, as part of COVID relief to states, provides an additional **6.2% federal medical assistance percentage (FMAP)** match on eligible Medicaid costs, reducing state funds needed in the programs.



The enhanced FMAP is available through the end of the quarter that contains the end of the federal public health emergency (PHE). The federal PHE currently ends mid-July 2022; however, the federal Department of Health and Human Services has committed to provide states with 60 days' notice prior to the planned end of the PHE.

The enacted 2021/22 budget assumed the 6.2% enhanced FMAP was available through December 2021. The governor's proposed budget assumed enhanced FMAP would be available through the first quarter of 2022/23. However, due to the likely additional extension in mid-July (that was realized July 15, 2022), the enacted 2022/23 budget assumes the enhanced FMAP is available through December 2022. The result from the change in assumptions is reductions to 2021/22 state appropriations to reflect six months of additional enhanced FMAP and enacted 2022/23 appropriations less than those proposed by the governor to reflect the assumed receipt of an additional quarter of enhanced FMAP.

Funding for administrative appropriations in the department were enacted \$31 million less than amounts requested by the governor, but \$6.1 million, or 1%, greater than in 2021/22.

The planned Human Services Code (HB 1420) was ultimately vetoed by Governor Wolf. However, several provisions were incorporated into the Fiscal Code. Those provisions are noted throughout the remainder of this section.

### *Medical Assistance*

After several years of relatively flat Medical Assistance (MA) enrollment, as of May 2022, MA enrollment has grown 22.5% since February 2020. Enrollment changes can be seen across the various categories of eligibility, but growth is most pronounced in the Medicaid Expansion eligibility group. States are prohibited from terminating Medicaid eligibility for the duration of the PHE in exchange for the 6.2% enhanced FMAP, except in specific cases, contributing significantly to the increased enrollment. As the PHE gets extended, any estimated savings assumed by the governor in 2022/23 related to the redeterminations of eligibility are reduced and will be realized primarily in 2023/24 and beyond now that the PHE has been extended again through mid-October 2022.

The Fiscal Code included a **rate increase for ambulance providers** effective January 1, 2023, which impacts multiple appropriations including Capitation, Fee-for-Service, and Community HealthChoices (CHC). The minimum rate for basic life support increases from \$180 to \$325 per loaded trip and the rate for advanced life support increases from \$300 to \$400 per loaded trip. In addition, the minimum reimbursement for mileage increases from \$2 per loaded mile to \$4 per loaded mile for trips over 20 loaded miles.

Supplemental funding of \$1.1 billion was appropriated to the 2021/22 Capitation appropriation to reverse the end of fiscal year payment delays, referred to as "**cycle rolls**," which have been implemented progressively over time in both the Physical Health HealthChoices and Behavioral Health HealthChoices programs. For the last several years, funding was appropriated in a manner that required payment for April, May, and June coverage in July. The supplemental funding will allow DHS to pay for all managed care services the month following coverage.

The budget fully restores funding for hospitals and medical centers in the Physician Practice Plans and Academic Medical Centers appropriations in line with historical funding amounts. Meanwhile, funding is held flat for burn centers, trauma centers, critical access hospitals, and obstetric and neonatal units after consideration of the enhanced FMAP, as proposed by the governor.

The enacted budget also includes \$22.9 million to provide reimbursements to CHIP contractors who experienced losses from families' inability to pay **CHIP premiums** from March 2020 to July 2022 due the pandemic.



## *Long Term Living*

Enrollment in CHC continues to steadily grow. As of April 2022, there were 397,230 individuals enrolled in CHC, an increase of 3.5% over April 2021. Growth from April 2020 to April 2021 was nearly 5%. Funding for continued enrollment growth is included in the enacted budget.

In addition, funding is included in both CHC and Long-Term Living to support a 17.5% MA **rate increase to nursing facilities** effective January 1, 2023. This rate increase will annualize to \$294 million in state funds, or approximately \$613 million with FMAP, and will assist nursing facilities in meeting new staffing requirements. Finally, \$399 million supplemental funding was provided to the 2021/22 CHC appropriation to reverse the delay in payment of May coverage to July. All payments for CHC coverage will now be made in the month following coverage.

Enrollment in the Living Independence for the Elderly (LIFE) program has grown 1% between May 2021 and May 2022. In addition to funding for normal program growth, the 2022/23 budget includes funding for a **LIFE rate increase** of 3% effective January 1, 2023.

The Fiscal Code reauthorized the nursing facility assessment and extended use of a revenue adjustment neutrality factor through 2026. Additionally, the Fiscal Code included payment requirements of CHC managed care organizations to pay no less than the fee-for-service rate for nursing facilities between January 1, 2023 and December 31, 2025.

Finally, the Fiscal Code includes requirements of county and nonpublic nursing facilities to demonstrate that at least 70% of costs are for resident care or other resident-related costs between January 1, 2023 and December 31, 2025. A facility that does not meet the 70% requirement may be penalized based on the differential between their actual calculated percentage and 70%, up to five percent. Any penalties imposed will be deposited into a new Nursing Facility Quality Improvement Fund, which may be used by DHS to administer and enforce the new requirement as well as provide funding for nursing facility quality improvement.

Long-term living programs will receive \$250 million in one-time ARPA funding. This includes:

- \$131 million for county and nonpublic nursing facilities,
- \$75 million for personal assistance service providers,
- \$26.8 million for personal care homes and assisted living facilities,
- \$7 million for adult day providers,
- \$535,000 for residential habilitation providers,
- \$4.3 million for high MA ventilator/tracheostomy providers, and
- \$5.4 million for LIFE providers.

## *Mental Health*

The governor proposed several state funded initiatives related to mental health including discharging 20 state hospital residents to the community through the **Community Hospital Integration Projects Program** (CHIPP), \$7.2 million to create capacity for **hard to place individuals** released from state prisons and \$36.7 million for a partial restoration of the 2012 10% human services cuts. We estimate that sufficient funding is provided for the CHIPP initiative and at least \$15 million may be available to partially restore county mental health funding cuts from 2012.

In addition, \$100 million in ARPA funds was allocated for mental health programs. Under the Fiscal Code, DHS is not authorized to expend these funds until the General Assembly passes enabling legislation. To inform the legislature's future action, the Fiscal Code establishes a new **Commission for Adult Mental Health** within DHS to be comprised of 24 individuals from various state agencies or areas of specialty, as well as legislative appointees. The commission is to issue a report of recommended funding allocations in the following areas:

- Delivery of services by telemedicine
- Behavioral health rates, network adequacy, and mental health payment parity
- Workforce development and retention
- Expansion of certified peer support specialist services and peer-run services
- Development and provision of crisis services
- Integration of behavioral health and substance use disorder treatment



- Cultural competencies when providing behavioral health care
- Impact of social determinants of health on behavioral health
- Intersection of behavioral health and the criminal justice system
- Integrating care that can deliver timely psychiatric care in a primary care setting

### *Intellectual Disabilities and Autism*

The enacted budget includes \$18.8 million requested by the governor to serve 832 individuals with ID or autism waiting for services. The initiative will serve 100 individuals in the Consolidated Waiver (uncapped waiver that includes residential services) and 732 individuals in the Community Living Waiver (\$85,000 annual cap and no residential services). The enacted budget also contains sufficient funding to serve special education graduates in the Person and Family Directed Support Waiver (\$41,000 annual cap and no residential services) through attrition.

The governor also requested \$74.8 million additional funding in the spring to delay the reinstatement of the **prudent payment policy** – the commonwealth policy to pay claims as close to 30 days from receipt as possible – that was suspended at the beginning of the COVID pandemic. Reinstatement was originally proposed to occur in 2022/23 but is now not planned to be reinstated before 2023/24.

State funding for **state centers for individuals with ID** increased \$17.5 million, or 17.3%. The Fiscal Code established a new restricted account to receive proceeds from the sale of state centers for individuals with ID and any year-over-year decreases in the appropriation for state centers. Money in the account is appropriated to DHS to provide home and community-based services, including workforce capacity, to provide housing supports for individuals with ID and to serve individuals on the emergency ID waiting list.

### *Child Development*

The significant increase in **evidence-based home visiting** programs proposed by Gov. Wolf was included in the enacted budget. An additional \$15 million, or 77%, increase was included in the Community Based Family Centers appropriation. This funding is estimated to benefit 3,800 additional families when combined with federal home visiting funds. In addition, a \$1 million increase has been enacted for Nurse Family Partnership.

The legislature also provided, for the first time, funding to ease the **childcare cliff**, or the dramatic loss of benefits as household income increases. In the Child Care Services appropriation, \$25 million is included to support families who would otherwise lose childcare subsidies upon exceeding the program income limit of 235% of the federal poverty income guidelines (FPIG), so long as the household income does not exceed 300% of the FPIG. DHS is to determine copayment amounts for families between 235% and 300% of FPIG in a way that supports economic self-sufficiency and publish copayment schedules in the PA Bulletin.

The Fiscal Code overrides several current **childcare regulations** (that are linked to DOH regulations) requiring parents to secure doctors' notes for children to return to childcare in the cases of COVID-19. The regulations remain in place for other DOH determined reportable diseases but will no longer apply to COVID-19.

The enacted budget includes \$90 million in **ARPA funding for qualified childcare providers** for the recruitment and retention of qualified staff. Qualified providers are those licensed under state regulations as childcare centers, group childcare homes, or family childcare homes, as well as relative providers exempt from licensing requirements. Qualified staff include those involved in direct supervision of children or environmental services; specifically excluded are executives, contracted staff, administrators, administrative support staff, and owners. The department must begin accepting applications no later than January 1, 2023 and are to continue accepting applications until all funds are exhausted or the deadline to spend ARPA funds has been reached. Several conditions apply in order to be eligible for a maximum payment of \$2,500 per eligible staff member.

### *Other*

Although Gov. Wolf proposed more, \$19 million is included in the enacted budget to increase the state supplemental assistance payment by \$200 per month for eligible individuals residing in personal care homes or domiciliary care homes. The state contribution for **personal care homes** will increase from \$439.30 to \$639.30, or a 46% increase. The state contribution for **domiciliary care homes** will increase from \$434.30 to \$634.30, or a 46% increase.



The County Child Welfare appropriation was funded as requested by the governor, less the two proposed initiatives and after adjustments for enhanced FMAP assumptions. State funding for youth development institutions and forestry camps was held flat.

Similar to the disease-specific appropriations in DOH, the appropriation for breast cancer screening services also received a 6% increase of \$105,000.

Two programs received supplemental funding for 2021/22. The 2-1-1 system received a one-time prior year increase of \$4 million to be used for infrastructure enhancements to the system. Grantees receiving blind and visual services funding received \$600,000 additional collectively for 2021/22. The additional \$600,000 was also maintained in 2022/23.

Finally, \$25 million in ARPA funds were allocated to the **Low-Income Home Energy Assistance Program (LIHEAP)**. These funds may only be expended provided that all other federal funds received for LIHEAP are used first, except funds permitted to be carried over to the following fiscal year under federal law. The ARPA funds also may not be used prior to notification from the Budget Secretary that all non-ARPA LIHEAP funds have been committed or expended.

## **TOBACCO SETTLEMENT FUND**

Act 43 of 2017 authorized the governor to issue \$1.5 billion in bonds backed by future revenues from the Tobacco Master Settlement Agreement (MSA). The act established procedures for the resulting debt payments, which allowed for repayment either from MSA revenues or from general tax revenues.

The Fiscal Code continues the requirement that MSA revenues sufficient to make annual debt service payments must be deposited into the debt service account established by Act 43. Debt service payments will total \$115 million in 2022/23, representing nearly one-third of expected MSA revenues for the fiscal year. However, the Fiscal Code also continues to require revenues equal to the debt service amount to be transferred from cigarette tax collections and deposited into the Tobacco Settlement Fund (TSF). Consequently, the TSF is again held harmless for debt service costs in 2022/23.

The Fiscal Code also outlines how funds are to be distributed. Allocations from 2021/22 are maintained in 2022/23.

- Tobacco Use Prevention and Cessation – 4.5%
- Health and Related Research – 12.6%
  - 70% to National Institute of Health grantees, formula-based
  - 30% remainder
    - \$1 million for spinal cord injury research
    - Remainder
      - 75% for pediatric cancer research
      - 25% for capital and equipment grants to entities engaging in biotechnology research
- Health and Related Research (National Cancer Institute grantees, formula-based) - 1%
- Uncompensated Care – 8.18%
- Medical Assistance for Workers with Disabilities (MAWD) – 30%
- To be appropriated for other health-related purposes – 43.72%

The General Appropriations Act included the appropriations for the other health related purposes of \$3 million for Life Sciences Greenhouse in the Department of Community and Economic Development and \$156.6 million for Community HealthChoices in the Department of Human Services.

## **LOTTERY FUND**

The Lottery Fund includes \$1.17 billion for senior programs in 2022/23. The table below details Lottery Fund programmatic funding by agency and program.

The decrease in funding for Lottery Fund Property Tax and Rent Rebate (PTRR) is due to the decreased estimated number of individuals qualifying for the program as the income levels for the program are not indexed. The General Appropriations Act also included a **one-time supplement to the PTRR payment** using



ARPA funds. The one-time additional funds will be issued in an amount equal to 70% of the amount received by the claimant for calendar year 2021.

Funding for programs administered by the Departments of Aging and Human Services are appropriated from the Lottery Fund as part of the General Appropriations Act. Programs administered by the Departments of Revenue and Transportation receive their funding through executive authorizations.

<b>Lottery Funding for Senior Programs</b>			
<b>(\$ amounts in thousands)</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>Increase/</b>
<b>Agency/Program</b>	<b>Revised</b>	<b>Enacted</b>	<b>(Decrease)</b>
<b>Department of Aging:</b>			
PennCARE	281,993	282,848	855
Pharmaceutical Assistance Fund	135,000	135,000	-
Pre-Admission Assessment	8,750	8,750	-
Caregiver Support	12,103	12,103	-
Grants to Senior Centers	2,000	2,000	-
Alzheimer's Outreach	250	250	-
<b>Department of Human Services:</b>			
Medical Assistance Transportation	3,500	3,800	300
Community HealthChoices	348,966	348,966	-
<b>Department of Revenue:</b>			
Property Tax and Rent Rebate (PTRR) *	234,600	209,200	(25,400)
<b>Department of Transportation:</b>			
Transfer to Public Transportation Trust Fund *	95,907	95,907	-
Shared Ride *	75,000	75,000	-
<b>TOTAL LOTTERY FUNDS</b>	<b>1,198,069</b>	<b>1,173,824</b>	<b>(24,245)</b>
<b>ARPA - One-time PTRR Enhancement</b>	<b>-</b>	<b>140,000</b>	<b>140,000</b>
<b>TOTAL LOTTERY AND ARPA FUNDS</b>	<b>1,198,069</b>	<b>1,313,824</b>	<b>115,755</b>
<i>* Executive Authorizations</i>			

## **PENSIONS**

This budget demonstrated continuing commitment to fully fund the pension obligations of the commonwealth. The actuarially determined contributions to the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS) were paid in full for the eighth and seventh consecutive years, respectively.

PSERS' employer contributions are divided, with approximately half coming from the local school district and the other half coming from the commonwealth. The appropriation for the commonwealth share is contained within the budget for the Department of Education. For the 2022/23 fiscal year, this appropriation increased by \$239 million, or 8.7%, to a total of \$2.986 billion. While the employer contribution rate increased slightly over the prior fiscal year, this increase was largely driven by stronger than expected growth in the total payroll of the school districts participating in PSERS.

Employer contributions to SERS are contained within the personnel costs of the various offices and agencies which participate in the system. As such, there is no single appropriation for the commonwealth's total employer contributions for SERS. The General Fund is the source for approximately 40% of total SERS contributions, with 52% coming from different special or federal funds and the remaining 8% coming from nonstate participants in the system. Total final contributions will depend on exact employer payrolls over the course of the year but are forecast at approximately \$2.27 billion across all funds.





Appropriations to fund the staff and operations of PSERS and SERS are made in two of the “housekeeping” appropriations acts that are passed each year as part of the combined budget package. For the 2022/23 fiscal year, Act 8A appropriated funds to PSERS while Act 9A appropriated funds for SERS. Act 8A appropriated \$55.5 million for administration of the PSERS defined benefit plan and \$949,000 for administration of its defined contribution plan, an increase of \$3.2 million and a decrease of \$6,000, respectively. Act 9A appropriated \$34.0 million for the SERS defined benefit plan and \$4.4 million for its defined contribution plan -- increases of \$979,000 and \$33,000, respectively.

## **LABOR AND INDUSTRY**

The Department of Labor and Industry’s general government operations appropriation increased by 2.9%, while the Bureau of Occupational and Industrial Safety and the Office of Vocational Rehabilitation received flat funding.

Several smaller programs received increases:

- Centers for Independent Living: \$200,000 increase
- Assistive Technology Financing: \$250,000 increase
- New Choices/New Options: \$250,000 increase

The General Assembly also appropriated federal ARPA funds to bolster the **Unemployment Compensation Trust Fund**. The budget includes \$42.3 million to help repay any outstanding federal loans that trigger an increase in federal unemployment tax rates.

## **PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

The Pennsylvania Historical and Museum Commission’s enacted budget for 2022/23 is similar to its 2021/22 budget. The cultural and historical support appropriation, which funds grants and subsidies across the commonwealth, is flat-funded year-over-year at \$2 million. The general government operations funding, which supports the functioning of the Commission throughout the fiscal year, was increased by \$614,000, or 2.9%.

## **DEPARTMENT OF STATE**

The 2022/23 budget for the Department of State includes a few changes from the prior fiscal year’s enacted budget. The **lobbying disclosure** appropriation received an increase of \$429,000, or 150%, to assist in replacing and upgrading the current technology system. Similarly, the **PA Licensure System** (PALS), utilized for applying for and renewing Pennsylvania’s professional licenses, received \$5 million from the Professional Licensure Augmentation restricted account to support the replacement of the current system.

Additionally, the DOS budget eliminates \$2.4 million in non-recurring costs to publish state and federal reapportionment maps, which are only needed every ten years after the decennial census. Lastly, the general government operations appropriation received a \$290,000 year-over-year increase, or 5%, to assist in the continuation of current programming levels.

## **COMMUNITY AND ECONOMIC DEVELOPMENT**

The Department of Community and Economic Development’s 2022/23 budget includes a significant 63.3% year-over-year increase from the 2021/22 enacted budget, comprised of current programming increases along with new initiatives being created within the department. The below chart highlights many of DCED’s notable budgetary changes:



DCED Appropriation	FY 2021/22	FY 2022/23	\$ Change	% Change
General Government Operations	\$ 21,032	\$ 30,747	\$ 9,715	46.2%
Office of Open Records	\$ 3,299	\$ 3,627	\$ 328	9.9%
Transfer to Ben Franklin Technology Development Authority Fund	\$ 14,500	\$ 17,000	\$ 2,500	17.2%
Invent Penn State	\$ -	\$ 2,350	\$ 2,350	100.0%
Partnerships for Regional Economic Performance	\$ 9,880	\$ 10,880	\$ 1,000	10.1%
Tourism - Accredited Zoos	\$ 800	\$ 1,000	\$ 200	25.0%
Infrastructure Technical Assistance	\$ 2,000	\$ 2,500	\$ 500	25.0%
(\$ amounts in thousands)				

The general government operations appropriation was increased by 46.2%, or \$9.7 million. Also, the **Office of Open Records** received a 9.9% increase to address the higher volume for right-to-know requests in recent years.

Moreover, the **Ben Franklin Technology Development Authority (BFTDA)** assists small and medium sized technology, research, and start-up companies to do applied research and development projects and to develop and introduce new products and processes. The funding transferred to the BFTDA was increased by \$2.5 million, or 17.2%, in the enacted 2022/23 budget. Also, the new \$2.35 million **Invent Penn State** appropriation will support university, community and industry entrepreneurial collaborations at the various campus locations across the state.

DCED also received ARPA State and Fiscal Recovery Funds in the 2022/23 budget, which included funding for housing and historically disadvantaged businesses to be administered by the department.

- \$125 million was appropriated to support the newly created **Whole-Home Repairs Program**. The purpose of this housing initiative is to provide grants or forgivable loans to low-income homeowners or landlords renting to low-income tenants to address habitability concerns, energy or water efficiency improvements, or accessibility for individuals with disabilities.
- \$20 million in ARPA funds was appropriated to DCED for **historically disadvantaged business assistance**. Historically disadvantaged businesses are at least 51% owned and operated by persons who are Black, Hispanic, Native American, Asian American, or Pacific Islander.

Lastly, the **Election Integrity Grant Program** was established under DCED. This program provides \$45 million annually in election support to counties. The grant funding is allocated proportionally based upon a county's voter registration total as a percentage of the total number of registered voters across the commonwealth eligible to vote in the primary election. The funding can be utilized for the following purposes:

- Payment of staff needed to pre-canvass and canvass mail-in ballots and absentee ballots
- Physical security and transparency costs for centralized pre-canvassing and canvassing
- Post-election reporting procedures
- The printing of ballots
- Training costs for district election officials
- Payment of staff at polling places on election day
- Secure preparation, transportation, storage and management of voting apparatuses, tabulation equipment and required polling place materials
- Costs of county board of election duties related to the processing of voter registration applications

This funding is conditional on the prohibition of third-party funding of elections, counties beginning pre-canvassing at 7AM on election day until each ballot has been pre-canvassed, counties beginning canvassing at 8PM on election day until each ballot has been canvassed, and that the required post-election reporting obligations are fulfilled.



## **COMMONWEALTH FINANCING AUTHORITY - ARPA PROGRAMS**

The 2022/23 budget appropriates ARPA State and Local Recovery Funds to the Department of Community and Economic Development for transfer to the Commonwealth Financing Authority. These transfers include funding for water and sewer projects, as well as grant support for cultural and museum preservation.

Water and sewer projects under the Commonwealth Financing Authority received \$320 million in the enacted budget. The \$320 million is comprised of \$214.4 million for the H2O PA Program and \$105.6 million for the PA Small Water and Sewer Program.

- \$214.4 million for CFA's **H2O PA Program** – provides for single-year or multi-year grants to municipalities or municipal authorities to assist with the construction of drinking water, sanitary sewer and storm sewer projects. The parameters of the grant include a minimum award of \$500,000 and a maximum award of \$20,000,000 for any project.
- \$105.6 million for CFA's **PA Small Water and Sewer Program** – supports small water, sewer, storm sewer, and flood control infrastructure projects. Eligible initiatives include those that can assist with the construction, improvement, expansion, or rehabilitation or repair of a water supply system, sanitary sewer system, storm sewer system, or flood control projects. The parameters of the grant include a minimum award of \$30,000 and a maximum award of \$500,000 for any project.

The 2022/23 budget also transferred \$15 million to the CFA to create a **Cultural and Museum Preservation Grant Program**. The CFA will determine eligibility requirements, allowable uses of grant funds, and the minimum grant award amount permitted for the Cultural and Museum Preservation Grant Program. Eligible applicants include nonprofit arts and culture organizations, local arts and culture districts, and arts and culture professionals.

## **PENNSYLVANIA HOUSING FINANCE AGENCY**

The 2022/23 budget appropriates \$250 million in ARPA State Fiscal Recovery Funds to the Pennsylvania Housing Finance Agency for two specific housing initiatives: Development Cost Relief Program and Housing Options Grant Program.

- The newly created **Development Cost Relief Program**, which is similar to the previously enacted program under PHFA called the Construction Cost Relief Program (CCRP), received \$150 million in the 2022/23 budget. This program supports already applied for or currently underway Low-Income Housing Tax Credit (LIHTC) construction projects. The Development Cost Relief Program addresses increased costs from supply chain challenges as well as losses in equity investments resulting from the COVID-19 pandemic. Program applicants need to demonstrate increased expenses and the necessity of supplemental funding to complete the development project. Projects that received funds under the Construction Costs Relief Program are not precluded from also receiving funding from this program.
- The newly created **Housing Options Grant Program** received \$100 million in the 2022/23 budget. This program makes grants available for the development of affordable housing units, such as building new units, rehabbing existing properties to make them affordable housing units, or preserving existing affordable units. Additionally, this program is available to developers and nonprofit organizations, but requires a 25% match component. Lastly, all grants for this program must be awarded by December 31<sup>st</sup>, 2024.

## **ENVIRONMENTAL PROTECTION**

There are several new programs and funding streams related to the environment included in this budget.

First, the 2022/23 budget includes a significant infusion of American Rescue Plan Act (ARPA) dollars for the environment. While this funding is not concentrated within a single agency or authority, its importance will be felt going forward.



Investments from ARPA are necessitated by the commonwealth's failure to significantly reduce nutrient and sediment flows into the Chesapeake Bay as part of Pennsylvania's Phase 3 Water Implementation Plan (WIP). Funds are allocated to address this for Water & Sewer Projects (with specific program highlights discussed under Commonwealth Financing Authority), State Parks and Outdoor Recreation Programs (discussed under DCNR), and a transfer to Clean Streams Fund (under DEP, PennVEST, and State Conservation Commission). In total, this \$640 million investment replaces the *Growing Greener III* proposal included in the governor's executive budget.

While listed under DEP's budget, the ARPA Transfer to the **Clean Streams Fund** represents the creation of a funding mechanism for two of the newly created programs under the 2022/23 [Fiscal Code](#), along with transfers for existing programs and other funds. The following table provides a summary of this investment along with its allocations.

ARPA Environmental Funding				
(\$ amounts in millions)				
Transf Source	Dept/Area	Program/Fund	Allocation	Totals
ARPA Transf	DCNR	State Parks and Outdoor Recreation Prog	\$ 100.0	\$ 100.0
ARPA Transf	CFA	H2O PA - Water & Sewer Projects	\$ 214.4	
		Other Water & Sewer Projects	\$ 105.6	\$ 320.0
Clean Streams Transf	State Conservation Commission	Agriculture Conservation Assist. Prog	\$ 147.8	
Clean Streams Transf	PennVEST	Clean Water Procurement Prog	\$ 21.1	
Clean Streams Transf	Multiple	Nutrient Management Fund	\$ 21.1	
Clean Streams Transf	DEP	Program Administration @ 4%	\$ 8.8	
		Storm Water Management	\$ 8.4	
Clean Streams Transf	DCNR	Keystone Tree Restricted Acct	\$ 8.4	
Clean Streams Transf	Multiple	Acid Mine Drainage Abatement and Treatment Fund	\$ 4.2	\$ 220.0
			<b>\$ 640.0</b>	<b>\$ 640.0</b>

The Infrastructure Investment and Jobs Act (IIJA) investments will also deliver significant federal funds for environmental protection. Similar to ARPA, the infusion of IIJA funding is spread across multiple agencies and authorities. The following table summarizes these investments and shows the programmatic components of each investment within specific agency or authority.



2022/23 Infrastructure Investment and Jobs Act (IIJA) Appropriations			
(\$ amounts in millions)			
Dept/Area		Amt	Totals
Environmental Protection (DEP)	IIJA - Orphan Well Plugging	\$ 105.0	
	IIJA - Assistance for Small & Disadvantaged Communities	\$ 28.1	
	IIJA - DOE Energy Programs	\$ 22.3	
	IIJA - Electric Grid Resilience	\$ 13.2	
	IIJA - Energy Efficiency & Conservation	\$ 4.0	
	IIJA – Water Quality Management Planning Grants	\$ 1.0	
	IIJA – Nat'l Dam Safety Program	\$ 0.1	
	IIJA – Chesapeake Bay	\$ 1.8	
	IIJA – USDA Good Neighbor Authority	\$ 0.7	
	IIJA – Nat'l Fish & Wildlife Foundation	\$ 7.5	
	IIJA – Brownfields	\$ 2.0	\$ 185.7
Conservation and Natural Resources	IIJA – Community Wildlife Defense Grant Program	\$ 0.4	\$ 0.4
PennVEST	IIJA - Drinking Water Projects Revolving Loan Fund	\$ 125.0	
	IIJA - Loan Program Administration	\$ 5.1	
	IIJA - Technical Assistance to Small Systems	\$ 2.3	
	IIJA - Technical Assistance to State Programs	\$ 13.0	
	IIJA - Local Assistance and Source Water Pollution	\$ 21.5	
	IIJA - Sewage Projects Revolving Loan Fund	\$ 75.0	\$ 241.9
		<b>\$ 428.0</b>	<b>\$ 428.0</b>

\*Highlighted IIJA investments, represent a portion of total IIJA investments included in 22/23 budget

In total, combined ARPA and IIJA allocations invest **\$1.06 billion** in environmental priorities.

The department's 2022/23 enacted General Fund budget is \$185.69 million. This represents a \$14.06 million or 8.2% increase from 2021/22. Like other agencies, changes related to the department's major appropriations are in line with continuing costs, rather than allocation of new resources.

DEP 2022/23 STATE GENERAL FUND APPROPRIATIONS				
(\$ amounts in thousands)				
Appropriation	Actual	Enacted	Enacted less Actual	
	2021/22	2022/23	\$ Δ	% Δ
General Government Operations	\$ 16,759	\$ 18,545	\$ 1,786	10.7%
Environmental Program Management	\$ 34,160	\$ 35,739	\$ 1,579	4.6%
Environmental Protection Operations	\$ 98,036	\$ 102,719	\$ 4,683	4.8%
Transfer to Conservation District Fund	\$ 2,506	\$ 7,516	\$ 5,010	199.9%
Chesapeake Bay Agricultural Source Abatement	\$ 3,461	\$ 3,539	\$ 78	2.3%
Black Fly Control	\$ 7,645	\$ 7,645	\$ -	0.0%
West Nile Virus Control	\$ 5,609	\$ 5,880	\$ 271	4.8%
Water/Mining Commissions	\$ 866	\$ 1,426	\$ 560	64.7%
Environmental Hearing Board	\$ 2,593	\$ 2,688	\$ 95	3.7%
<b>STATE GF TOTAL</b>	<b>\$ 171,635</b>	<b>\$ 185,697</b>	<b>\$ 14,062</b>	<b>8.2%</b>



Except for the Susquehanna River Basin Commission (\$535,000 increase) and the Chesapeake Bay Commission (\$25,000 increase), all other **water commissions** are funded at 2021/22 levels.

Like the Transfer to Conservation District Fund within the Department of Agriculture, DEP's transfer of \$7.51 million represents a \$5.01 million increase. In both cases, the increase in the Transfer to Conservation District Fund are efforts to provide additional resources to the commonwealth's Chesapeake Bay Phase 3 Water Implementation Plan.

## **CONSERVATION AND NATURAL RESOURCES**

The department's enacted General Fund budget is \$151.95 million for 2022/23. This represents an increase of \$12.9 million, or 9.3%. General Fund changes are mostly within the department's major appropriations, which reflect continuing personnel and operational needs, rather than allocation of additional resources. Completing the changes to the General Fund is Forest Pest Management, with an appropriation of \$3 million.

The following table provides details of DCNR's major appropriations by funding source.

<b>2022/23 DCNR Major Appropriations Summary</b>				
<b>General Fund and Oil &amp; Gas Lease Fund Comparison</b>				
<i>(\$ amounts in thousands)</i>				
Funding Source/FY	Actual	Enacted	2022/23 Less 2021/22	
	2021/22	2022/23	\$ diff	% diff
<b>General Fund (GF)</b>				
General Gov't Ops	\$ 28,350	\$ 29,465	\$ 1,115	3.9%
State Parks Ops	\$ 54,326	\$ 60,787	\$ 6,461	11.9%
State Forests Opts	\$ 43,187	\$ 44,431	\$ 1,244	2.9%
<b>GF Subtotal</b>	<b>\$ 125,863</b>	<b>\$ 134,683</b>	<b>\$ 8,820</b>	<b>7.0%</b>
<b>Oil &amp; Gas Lease Fund (OGLF)</b>				
General Gov't Ops	\$ 14,790	\$ 14,790	\$ -	0.0%
State Parks Ops	\$ 16,500	\$ 20,500	\$ 4,000	24.2%
State Forests Opts	\$ 16,500	\$ 20,500	\$ 4,000	24.2%
State Parks/Forest Facilities	\$ -	\$ 56,000	\$ 56,000	
<b>OGLF Subtotal</b>	<b>\$ 47,790</b>	<b>\$ 111,790</b>	<b>\$ 64,000</b>	<b>133.9%</b>
<b>GF/OGLF Total</b>	<b>\$ 173,653</b>	<b>\$ 246,473</b>	<b>\$ 72,820</b>	<b>41.9%</b>

As the table above spotlights, the budget includes a \$56 million allocation for new **State Parks and Forest Facilities** in the commonwealth from the Oil & Gas Lease Fund.

DCNR also received a \$100 million infusion of ARPA funding for the **State Parks & Outdoor Recreation Program** created within the [Fiscal Code](#). This funding is a significant step in addressing the infrastructure needs of our recreational facilities.

## **AGRICULTURE**

The Department of Agriculture's enacted General Fund budget is \$226.45 million. This represents an increase of 29.8% or \$51.94 million.

The \$2 million increase to the **Pennsylvania Agricultural Surplus System (PASS) within the State Food Purchase Program** creates an additional opportunity for fresh foods to be utilized by food banks and provides a way for farmers to diversify their income stream.



<b>State Food Purchase Program (SFPP) Components</b>				
(\$ amounts in thousands)				
<b>Component</b>	<b>Actual</b>	<b>Enacted</b>	<b>Enacted less Actual</b>	
	<b>2021/22</b>	<b>2022/23</b>	<b>\$ Chng</b>	<b>% Chng</b>
<b>SFPP</b>	\$ 18,688	\$ 18,688	\$ -	0.00%
<b>PASS</b>	\$ 2,500	\$ 4,500	\$ 2,000	80.00%
<b>TEFAP</b>	\$ 1,000	\$ 1,000	\$ -	0.00%
<b>TEFAP Distr</b>	\$ 500	\$ 500	\$ -	0.00%
	<b>\$ 22,688</b>	<b>\$ 24,688</b>	<b>\$ 2,000</b>	<b>8.82%</b>

The enacted budget provided \$34 million for **Agriculture Preparedness and Response**, a \$31 million increase. The increase helps to combat avian flu by providing \$25 million for grants to poultry farmers and \$6 million for Animal and Health Diagnostic Laboratory System costs. Additional details related to this funding increase can be found in the Committee's [Fiscal Code](#) analysis.

The \$57.1 million appropriation for the **Penn State's Agriculture Extension** represents a \$2.75 million or 5% increase. The University of Pennsylvania's Veterinary school receives \$31.66 million and the Center for Infectious Disease receives \$1.89 million. Combined, the increase within University of Pennsylvania's appropriations represents a 5% increase.

Other increases included within the General Fund include:

- Transfer to the Conservation District Fund - \$2.66 million appropriation represents a \$1.8 million increase.
- Transfer to State Farm Products Show Fund - \$5 million appropriation, traditionally funded within the Race Horse Development Fund.
- Animal Health and Diagnostic Commission - \$6 million appropriation represents a \$4 million increase. Language included within the 2022/23 [Fiscal Code](#) specifies allocation of those funds.

This budget continues the trend of delivering funding for the components of the PA Farm Bill. As was the case for 2021/22, the 2022/23 budget delivers \$17.1 million for those components.

American Rescue Plan Act funding is allocated for the newly created **Agriculture Conservation Assistance Program**. This funding flows through the newly established Clean Streams Fund, which provides funding for two new programs, along with transfers to other funds and other existing programs. Please reference the [Fiscal Code](#) analysis for specific programmatic details and elements of the Clean Streams Fund. While the funding for the program is allocated to the State Conservation Commission, the infusion of financial support would go a long way in meeting the Chesapeake Bay Phase 3 Water Implementation Plan (WIP). The passage of [SB 251](#), which establishes Best Management Practices in the use of fertilizer, also aids in Phase 3 WIP implementation

## **TRANSPORTATION**

With a combination of need and projected revenues, the Department of Transportation's budget delivers increases to several appropriations within the Motor License Fund (MLF). That need is a function of the necessary state match, imperative to the utilization of the Infrastructure Investment and Jobs Act (IIJA) funding.

It is worth noting that 2022/23 IIJA funding in PennDOT would be utilized to offset expenditures within the Highway Maintenance appropriation and State Bridge EA, in contrast to 2021/22 where the funding had its own line and was listed as federal funds.

Part of the overall budget negotiations was [SB 382](#), which made changes to the **Public-Private Transportation Partnership (P3) statute**. The bill amended Title 74 (Transportation) and rescinded the Major Bridget P3 Initiative. Under a different P3 delivery model, PennDOT would be able to continue its work on the nine candidate bridges, but only with the possibility of optional fees.



Another component, not clearly visible in the 2022/23 enacted budget, is the reduction of Pennsylvania Turnpike Commission's (PTC) quarterly payments to \$50 million and the transition to a **transfer** from Sales & Use Tax (SUT) on motor vehicles, trailers, and semi-trailers. As provided by Act 89 of 2013, the Motor Vehicle SUT transfer comes with a floor of \$450 million and is determined as follows:

- **Ratio** = \$450 million divided by Motor Vehicle SUT collected in prior FY
- **Annual Transfer** = Ratio times Motor Vehicle SUT collected in prior FY

In total, as a result of the PTC's \$50 million payments along with the transfer from Motor Vehicle SUT, the total transfer into the Public Transportation Trust Fund is set to increase.

As highlighted by the following table, several appropriations include significant increases.

<b>MLF PENNDOT STATE APPROPRIATIONS</b>				
<i>\$ amounts in thousands</i>				
	<b>Actual</b>	<b>Enacted</b>	<b>Enacted less Actual</b>	
<b>Appropriation</b>	<b>2021/22</b>	<b>2022/23</b>	<b>\$ Chng</b>	<b>% Chng</b>
<b>General Government Operations</b>				
GGO	\$ 68,600	\$ 73,193	\$ 4,593	6.7%
Welcome Centers	\$ 4,115	\$ 4,323	\$ 208	5.1%
<b>General Gov't Operations Subtotal</b>	<b>\$ 72,715</b>	<b>\$ 77,516</b>	<b>\$ 1,479</b>	<b>2.0%</b>
<b>Safety Administration &amp; Licensing</b>				
Driver and Vehicle Services	\$ 225,834	\$ 242,258	\$ 16,424	7.3%
Homeland Security - Real ID	\$ 25,901	\$ 30,135	\$ 4,234	16.3%
<b>Safety Admin &amp; Licensing Subtotal</b>	<b>\$ 251,735</b>	<b>\$ 272,393</b>	<b>\$ 20,658</b>	<b>8.2%</b>
<b>State &amp; Local Hwy/Bridge</b>				
Highway Safety & Improvement	\$ 190,000	\$ 500,000	\$ 310,000	163.2%
Highway Maintenance	\$ 896,879	\$ 960,000	\$ 63,121	7.0%
Highway Systems Technology & Innovation	\$ 16,000	\$ 16,000	\$ -	0.0%
Reinvestment - Facilities	\$ 16,000	\$ 16,500	\$ 500	3.1%
Municipal Roads and Bridges	\$ 30,000	\$ 30,000	\$ -	0.0%
Local Road Maintenance & Constr Pmts	\$ 229,361	\$ 255,000	\$ 25,639	11.2%
Supplemental Local Rd Maintenance & Constr Pmts	\$ 5,000	\$ 5,000	\$ -	0.0%
Maintenance & Constr of County Bridges	\$ 5,000	\$ 5,000	\$ -	0.0%
Municipal Traffic Signals	\$ 40,000	\$ 45,000	\$ 5,000	12.5%
<b>State &amp; Local Hwy/Bridge Subtotal</b>	<b>\$ 1,428,240</b>	<b>\$ 1,832,500</b>	<b>\$ 404,260</b>	<b>28.3%</b>
<b>MLF STATE TOTAL</b>	<b>\$ 1,752,690</b>	<b>\$ 2,182,409</b>	<b>\$ 426,397</b>	<b>24.3%</b>

## **CORRECTIONS**

The budget appropriates \$2.74 billion to the Department of Corrections, \$61.8 million, or 2.3% more than 2021/22. The vast majority (\$2.1 billion) is for state correctional institutions.

State Field Supervision received a \$6.7 million increase. The Parole Board and the Sexual Offenders Assessment Board received increases of \$653,000 and \$309,000, respectively.

The Board of Pardons, transferred from the Office of the Lieutenant Governor by Act 59 of 2021, received a supplemental appropriation for 2021/22 of \$296,000. The 2022/23 appropriation for the Board increased by \$955,000, or 79.5%, over the revised 2021/22 appropriation.

The appropriation for the Office of the Victim Advocate was eliminated as a line item in the budget in 2020/21 and 2021/22 and is again eliminated in the current budget. The office will continue to exist but will derive its funding through the Department of Correction's General Government Operations appropriation.





Major Department of Corrections Appropriations				
(\$ amounts in thousands)	2021/22 Revised	2022/23 Enacted	Change	Percent Change
General Government Operations	\$ 42,268	\$ 43,097	\$ 829	2.0%
Medical Care	\$ 331,486	\$ 338,156	\$ 6,670	2.0%
Correctional Education	\$ 42,597	\$ 43,833	\$ 1,236	2.9%
State Correctional Institutions	\$ 2,083,044	\$ 2,127,197	\$ 44,153	2.1%
State Field Supervision	\$ 151,403	\$ 158,090	\$ 6,687	4.4%
Parole Board	\$ 12,121	\$ 12,774	\$ 653	5.4%
Sex Offender Assessment Board	\$ 6,582	\$ 6,891	\$ 309	4.7%
Board of Pardons <sup>1</sup>	\$ 1,202	\$ 2,157	\$ 955	79.5%

<sup>1</sup>Transferred from Lt. Gov (Act 59 2021)

## STATE POLICE

The General Fund appropriation for state police general government operations is \$720.2 million. This amount is \$105.4 million, or 17.1%, more than 2021/22. PSP general government operations are funded by both the General Fund and the Motor License Fund. Appropriations for general government operations from the Motor License Fund decreased by \$1.9 million, or 0.5% to \$424.3 million. Combined General Fund and Motor License Fund appropriations for general government operations increased by \$103.5 million, or 9.9%.

The budget's 2021/22 supplemental appropriations for the state police's general government operations increased spending from the General Fund by \$173.5 million. The budget offset this increase to the police by decreasing funding from the Motor License Fund by the same amount.

State Police: Major Fund Summary		2021/22	2021/22	2022/23	1-Year Change	
\$ amounts in thousands		Available	Revised	Enacted	\$ Change	% Change
General Government Operations	General Fund	\$ 441,366	\$ 614,827	\$ 720,208	\$ 105,381	17.14%
	Motor License Fund	\$ 599,652	\$ 426,191	\$ 424,285	\$ (1,906)	-0.45%
	GF + MLF	\$ 1,041,018	\$ 1,041,018	\$ 1,144,493	\$ 103,475	9.94%
Total	General Fund	\$ 462,250	\$ 635,711	\$ 742,713	\$ 107,002	16.83%
	Motor License Fund	\$ 673,461	\$ 500,000	\$ 500,000	\$ -	0.00%
	GF + MLF	\$ 1,135,711	\$ 1,135,711	\$ 1,242,713	\$ 107,002	9.42%

The 2022/23 budget expedited the mandated (Act 85 of 2016) **drawdown of the state police's use of the Motor License Fund**. Act 85 of 2016 included a multi-year effort to reduce reliance on the Motor License Fund to a total of \$500 million by 2027/28. This transition was expedited in the governor's executive budget due to state match requirements for federal transportation and infrastructure funding and the need to assure state match availability. Total state police expenditures from the Motor License Fund for 2022/23 were \$500 million. Because of the negative supplemental in the budget for 2021/22, total expenditures for 2021/22 were also set to \$500 million.

The budget includes funding for two new **cadet classes** with the target of graduating approximately 200 new troopers.

The Pennsylvania Instant Check System (**PICS**) provides instant background checks for sales and transfers of firearms through licensed dealers. PICS is primarily funded through two sources: the Firearms Records Check Fund and a General Fund appropriation for gun checks. \$5.97 million was appropriated from the General Fund and \$4.8 million was appropriated from the Firearms Records Check Fund, an increase of \$1.57 and \$1.05 million respectively. The funding will support increased demand on the Instant Check System.

The executive budget included a \$1 million increase for Patrol Vehicles for the state police to maintain fleet safety. This increase was in the 2022/23 budget, as well as a \$753,000 increase for Commercial Vehicle Inspections.



The **Statewide Public Radio System** received \$7.04 million from the General Fund and \$21.1 million from the Motor License Fund, a small increase over 2021/22 of only \$204,000.

Law Enforcement Information Technology, Municipal Police Training, and the Automated Fingerprint Identification System (AFIS) are all flat funded.

## **COMMISSION ON CRIME AND DELINQUENCY**

The budget appropriates \$16.9 million to the Pennsylvania Commission on Crime and Delinquency, a \$5.6 million, or 49%, increase from 2021/22. Included in the increase is funding for the following initiatives:

- An additional \$1.5 million for the continuation of a pilot program in Philadelphia and Allegheny County to hire additional assistant district attorneys designated as a Special United States Attorneys, as part of the Project Safe Neighborhoods program, to exclusively prosecute firearms crimes
- \$500,000 for the creation of a statewide child predator unit
- \$500,000 to support training and equipment needs for the identification, investigation, and prosecution of crimes related to the sexual abuse of children
- An additional \$200,000, for a total of \$600,000, for a diversion program for first-time nonviolent offenders
- \$100,000 for criminal indigent defense training

The Office of Safe Schools Advocate, shifted from the Department of Education to PCCD in 2021/22, and funding for the Improvement of Adult Probation Services, shifted from the Department of Corrections in 2021/22, were both flat funded.

### Violence Intervention and Prevention

The budget appropriated a total of \$105 million for Violence Intervention and Prevention Programs to be used for **Community Violence Reduction** programs. This is an increase of \$60 million over 2021/22. In 2021/22, PCCD received \$30 million and later received an additional \$15 million of ARPA funds for a total of \$45 million.

Of the \$105 million, \$30 million was from State funds and \$75 million was from federal ARPA funds. Community Violence Prevention Grants allow organizations like YMCAs and Boys and Girls Clubs, as well as municipalities and businesses, to address the gun and school violence epidemics happening in neighborhoods across our commonwealth. In prior years, demand for grants has eclipsed available funds. Funding for this program, prior to 2021/22, was transferred from the Judicial Computer System Augmentation Account.

Examples of funded programs:

- The Pittsburgh Bureau of Police Community Engagement Office used Community Violence Prevention/Reduction funds to fund patrol officer participation in Youth Connections Programming, develop and train Youth Advisory Council members, and provide Implicit Bias training to teachers and staff of partner schools.
- Temple University used Community Violence Prevention/Reduction funds to provide a trauma informed, evidence-based violence prevention model that highlights a strong partnership between a high-risk public high school and the surrounding neighborhoods and community.

### Local Law Enforcement Support Grants

New for 2022/23 are two grant programs, funded by federal ARPA Funds:

- \$135 million for **Local Law Enforcement Support** grants
- \$50 million for **Gun Violence Investigation and Prosecution** grants

The purpose of the Local Law Enforcement grant program is to provide a law enforcement agency with the necessary resources to allow the law enforcement agency to implement information technology improvements, purchase or upgrade equipment, cover nontraditional law enforcement personnel costs, support retention and recruitment efforts, provide necessary training, and cover related expenses.

Uses for the grants include, but are not limited to:

- Technology and Information Technology improvements



- Hardware and software equipment
- Nonsworn personnel costs
- Nonrecurring personnel costs related to sworn officers
- Policy development, evidence-based practices, and training

Eligible applicants for the program are municipal and local police agencies, campus or university police departments, railroad or street railroad departments, airport authority police departments, and county park police. The commission will prioritize grants for areas with high rates of violence or to law enforcement agencies with low clearance rates.

The following limitations are placed on grant awards:

- A grant to a city of the first class shall not exceed \$25 million
- A grant to a city of the second class shall not exceed \$20 million
- A grant to a municipality with a population of 55,000 or greater, not including a city of the first or second class, shall not exceed \$10 million
- A grant to a municipality with a population between 18,000 and 55,000, not including a city of the first or second class, shall not exceed \$5 million
- A grant to a municipality with a population less than 18,000, not including a city of the first or second class, shall not exceed \$1 million
- A grant to a transit agency or campus police force shall not exceed \$5 million
- A grant to an airport authority police department or a county park police force shall not exceed \$500,000

### Gun Violence Investigation and Prosecution Grants

The purpose of the Gun Violence Investigation and Prosecution grant program is to make grants to county district attorneys' offices and local law enforcement agencies to investigate and prosecute firearms offenses and gun violence.

The grant program will be funded using federal ARPA money.

Specific uses for grants applied for under this program include, but are not limited to:

- Improving and enhancing coordination of federal, state and local law enforcement investigations and prosecutions
- Supporting personnel costs related to the prosecution and investigation of firearms crimes
- The purchase of technological solutions to improve investigations, prosecutions, and clearance rates
- Initiatives that support the tracing of firearms used to commit crimes or delinquent acts and the identification of illegal firearms traffickers
- Any other efforts that aid in the investigation, arrest, and prosecution of a crime involving firearms

Support for grants to local criminal justice agencies and non-profits are all level funded. This includes programs to support drug courts and provide for victim services.

## **JUDICIARY**

This budget appropriates \$362.4 million in state funds to the Judiciary, a \$6.4 million or 1.8% increase. Although this was less than requested in the governor's executive budget, this was the first significant increase from the state General Fund that the Judiciary has received in several fiscal years. The lack of state funding growth for the Judiciary has heightened the department's reliance on Act 49 funding.



Judiciary State Appropriation Changes		2021/22 Available	2022/23 Enacted	Change	Percent Change
Supreme Court	Salaries & Expenses	\$ 17,150	\$ 17,493	\$ 343	2.0%
	Judicial Center Operations	\$ 814	\$ 830	\$ 16	2.0%
	District Court Administrators	\$ 19,657	\$ 20,050	\$ 393	2.0%
	Court Administrator	\$ 11,577	\$ 11,809	\$ 232	2.0%
Superior Court	Salaries & Expenses	\$ 32,377	\$ 33,025	\$ 648	2.0%
Commonwealth Court	Salaries & Expenses	\$ 21,192	\$ 21,616	\$ 424	2.0%
Court of Common Pleas	Salaries & Expenses	\$ 117,739	\$ 120,094	\$ 2,355	2.0%
	Senior Judge Reimbursement	\$ 4,004	\$ 4,084	\$ 80	2.0%
	Judicial Education	\$ 1,247	\$ 1,272	\$ 25	2.0%
Community Courts - MDJ	Salaries & Expenses	\$ 82,802	\$ 84,458	\$ 1,656	2.0%
	Magisterial District Judge Education	\$ 744	\$ 759	\$ 15	2.0%
Philadelphia Court	Municipal Court	\$ 7,794	\$ 7,950	\$ 156	2.0%
Judicial Conduct Board	Salaries & Expenses	\$ 2,505	\$ 2,555	\$ 50	2.0%
Court of Judicial Discipline	Salaries & Expenses	\$ 606	\$ 618	\$ 12	2.0%

(\$ amounts in thousands)

The Fiscal Code eliminated the \$15 million transfer from the Judicial Computer System Augmentation Account to the School Safety and Security Fund. This transfer was also temporarily halted in 2021/22.

The Fiscal Code also extended the two Act 49 surcharges that expired on June 30, 2022. They now expire on July 31, 2023. The two Act 49 surcharges (\$10 and \$11.25) are levied on court filings listed in statute, revenue from which is used for the operation of the judicial department. The \$11.25 fee does not apply to summary traffic offenses.

## **JUVENILE COURT JUDGE'S COMMISSION**

The JCJC received \$3.07 million for 2022/23, an increase of \$86,000 or 2.9% over 2021/11. Grants for juvenile probation services are level funded at \$18.9 million.

## **EMERGENCY MANAGEMENT AGENCY**

The budget provides \$11.1 million to PEMA for General Government Operations, a 4.9% increase from 2021/22. The Office of the State Fire Commissioner was flat funded at \$2.8 million. The Red Cross Extended Care Program received a \$100,000, or 40%, increase over 2021/22.

The budget provides \$8 million for **Hazard Mitigation** projects.

Included in the budget was \$5 million for **State Disaster Assistance**. The funds will be available for emergencies and non-federally declared disasters. This includes critical needs assistance or to repair damage to residential properties that were not covered by insurance or other funding sources. PEMA is required to publish guidelines to implement this program.

## **MILITARY AND VETERANS AFFAIRS**

This budget significantly increased funding to the Department of Military and Veterans Affairs. The appropriation for general government operations increased by \$3.2 million, or 12%, to \$29.6 million. Included within this increase were two initiatives from the governor's executive budget. One was an increase of \$500,000 for the VETConnect program, which connects Pennsylvania's veterans with the various federal, state, local, and nonprofit services that are available to them. The other was a \$445,000 initiative for suicide prevention resources for veterans and members of the Pennsylvania National Guard.

The appropriation for **Veterans' Outreach Services**, which provides funding to veterans' organizations such as the American Legion and the Veterans of Foreign Wars to conduct outreach and assistance to veterans, increased by 14.5% to \$3.8 million.



Spending on Pennsylvania’s six **veterans’ homes** also increased by \$29.6 million, or 26.1%. Of this increase, \$14.1 million was directed toward increasing staffing levels to comply with new federal regulations for care homes. The total annualized cost of these staffing increases is \$28.2 million, but only six months of costs were funded in this budget. Most of the rest of the increase was required to replace non-recurring federal funds.

Act 54 contained two provisions relating to veterans and the National Guard. The act increased the reimbursement rate for nonprofit veterans’ groups providing **burial details** for veterans interred at the Fort Indiantown Gap National Cemetery, the National Cemetery of the Alleghenies, or the Washington Crossing National Cemetery from \$100 to \$250.

The Fiscal Code also increased the **minimum daily compensation** for members of the Pennsylvania National Guard and Pennsylvania Guard on active duty from \$100 to \$180.

## **ROW OFFICES**

All three of the commonwealth’s row offices – the Office of Attorney General, the Auditor General, and the Treasury – received increases in their appropriations for general government operations in this budget:

<b>General Government Operations (\$ amounts in thousands)</b>	<b>FY 2021/23</b>	<b>FY 2022/23</b>	<b>Dollar Change</b>	<b>% Change</b>
<b>Attorney General</b>	\$47,408	\$50,199	\$2,791	5.9%
<b>Auditor General</b>	\$38,341	\$41,926	\$3,585	9.4%
<b>Treasury</b>	\$37,206	\$39,637	\$2,431	6.5%

### Attorney General

The budget also made significant increases to the Office of Attorney General Appropriations for gun violence, school safety, child protection, and drug crime enforcement.

<b>OAG Appropriations (\$ amounts in thousands)</b>	<b>FY 2021/22</b>	<b>FY 2022/23</b>	<b>Dollar Change</b>	<b>% Change</b>
<b>Drug Law Enforcement</b>	\$49,455	\$52,352	\$2,897	5.9%
<b>Joint Local-State Firearm Task Force</b>	\$7,115	\$7,601	\$486	6.8%
<b>Child Predator Interception Unit</b>	\$5,755	\$6,207	\$452	7.9%
<b>School Safety (Safe2Say Something)</b>	\$1,761	\$1,996	\$235	13.3%

Act 54 (the Fiscal Code) also included a provision that limited transfers from the Joint Local-State Firearm Task Force to the Philadelphia District Attorney’s Office to no more than 20% of the appropriation.

### Auditor General

The budget increased funding for the Auditor General’s Office by \$3.6 million, or 9.4%, while maintaining level-funding for the Board of Claims. Act 54 stipulated that \$500,000 of any funds appropriated for special financial audits – which represents the entire appropriation – must be spent on auditing entities that receive funds from the Department of Human Services through its appropriations for:

- Medical Assistance – Capitation
- Medical Assistance – Community HealthChoices



- Medical Assistance – Long-term Living
- Mental Health Services
- Intellectual Disabilities – Community Waiver Program

In response to the Auditor General’s decision to cease performing audits of public schools, Act 54 required that the Auditor General must use funds appropriated in this budget to complete audits for any school whose school board voted to request an audit in the six months prior to the passage of the Fiscal Code.

## Treasury

This budget increased funding for the Treasury Department’s general government operations by \$2.4 million, or 6.5%. It also increased funding for the Board of Finance and Revenue by 9.5%, to a total of \$3.275 million.

Act 54 imposed new responsibilities on the Treasurer and on all departments, agencies, boards, and commissions of the executive branch for with the Treasurer makes disbursements. The Treasurer was empowered to set and require security standards to detect and prevent fraud and financial losses on all disbursements it oversees. The Treasurer was required to provide a list of qualified payment security vendors within ninety days. Within the next eighteen months, each entity covered by this provision must select an approved vendor and contract for electronic payment security services.

## **RETIRED EMPLOYEES’ HEALTH PLAN CONTRIBUTIONS (REHP)**

While the enacted budget makes significant strides in undoing many budget balancing tactics used to create short-term relief in the past, one area in which it falls short is the contribution levels for the Retired Employees’ Health Plan (REHP). REHP is one of the health insurance plans offered to some retired employees based on years of service and service class through the Pennsylvania Employees Benefit Trust Fund.

Like pension liabilities, REHP liabilities are a long-term, post-employment benefit cost that the commonwealth is required to disclose in its annual comprehensive financial report. The commonwealth has largely paid these costs on a pay-as-you-go basis as part of agency payroll costs, but recognizing the long-term nature of the liability, the fund started to build up assets to pay future costs.

As part of the 2020/21 budget, contribution rates were temporarily reduced as a pandemic cost savings measure. The 2022/23 executive budget proposed to return contributions to their pre-pandemic rates but based on the appropriations for agency operating budgets enacted by the General Assembly, the administration now plans to continue REHP contributions at the reduced amounts for this fiscal year.

As a result, the commonwealth will be able to meet its current year obligations, but it will not make progress toward saving for its future obligations, leading to higher costs in future years.



## APPENDIX - TAX CODE SUMMARY

Tax Code Summary HB 1342 (\$ amounts in millions)					
Tax Topic	Bills	Description	Effective	2022/23	2023/24
Rideshare	HB 2099	Adds a 6% Sales tax and \$2/day car rental tax to peer-to-peer carsharing programs and marketplace programs.	60 Days	\$ 0.2	\$ 0.5
Flight Simulators		Codifies the definitions with regard to the existing sales tax exemption.	Immediately	\$ -	\$ -
PIT deduction for manufacturing equipment	SB 349	Allows pass-through entities to deduct the value of manufacturing equipment by coupling to IRC Section 179.	Applies to tax years after Dec. 31, 2022	\$ (3.0)	\$ (18.7)
Like-kind Exchange	SB 347 & HB 105	Allows deferral of tax on gains from like-kind exchange of property for PIT purposes (IRC Section 1031).		\$ (12.6)	\$ (15.1)
Paycheck Protection Loans	HB 385	Exempts paycheck protection loans under the CARES Act from taxable income.	Immediately	\$ -	\$ -
COVID-19 Emergency Filing Due Dates		Repeals language that allowed DCED to control local tax filing deadlines.	Immediately	\$ -	\$ -
CNIT Market-based Sourcing, Nexus and Rate Reduction		Expands the CNIT tax base by sourcing sales of intangibles and interest from loans tied to PA. Brings in more taxpayers by establishing business nexus for corporations dealing with intangibles in PA and loans tied to PA. Lowers the CNIT rate from 9.99% to 4.99% gradually until 2031.	Applies to tax years after Dec. 31, 2022	\$ (126.6)	\$ (305.3)
Insurance Premiums Tax		Restructures the deposit of funds to provide hold-harmless funding levels to the Fire Insurance Tax Fund (for firemen's pension and retirement purposes) and Municipal Pension Aid Fund (for police pension, retirement or disability purposes). Those funds will then benefit from future revenue growth of the combined growth from all types of insurance premiums taxes.	Applies to fiscal years after June 30, 2022	\$ (4.1)	\$ (4.7)



<b>Tax Topic</b>	<b>Bills</b>	<b>Description</b>	<b>Effective</b>	<b>2022/23</b>	<b>2023/24</b>
Research and Development Tax Credit		Increases cap from \$55 million to \$60 million. Of that, the portion for small businesses increases from \$11 million to \$12 million.	Credit amount applies to fiscal years after June 30, 2022 and ends June 30, 2025	\$ (1.6)	\$ (3.6)
Film Production tax credit	SB 906	Increases the film tax credit from \$70 million to \$100 million and provides extra incentives for multifilm productions that are multi-year commitments. Within the overall \$70 million cap, the concert tour cap is increased from \$8 million to \$24 million. Provides additional benefits for Pennsylvania film producers and sets aside \$5 million of the total cap.	Credit amount applies to fiscal years after June 30, 2022 and ends June 30, 2025	\$ (2.9)	\$ (10.3)
Waterfront Development Tax Credit	HB 2559 & SB 1205	Increases the cap from \$1.5 million to \$5 million (bills introduced would have increased cap to \$10 million).	Credit amount applies to fiscal years after June 30, 2022 and ends June 30, 2025	\$ (2.5)	\$ (3.2)
City Revitalization Improvement Zones		Minor changes regarding notification of violations and to the use of a zone report or certification. For certain uses of money, allows for grants in addition to loans.	Applies to fiscal years after June 30, 2022	\$ -	\$ -
Neighborhood Improvement Zones		Provides access to tax information to the contracting authority regarding use of money.	Applies to fiscal years after June 30, 2022	\$ -	\$ -
Keystone Opportunity Zones		Makes changes regarding expiration of extended parcels and extends application deadline for additional KOEZs from Oct. 1, 2022 to Oct. 1, 2023.	Applies to fiscal years after June 30, 2022	\$ -	\$ -
Airport Land Development Zones	SB 562	Establishes Airport Land Development Zone tax credits as a credit of \$2,100 per new job created for 10 years between 2022 and 2041.	Applies to fiscal years after June 30, 2022	\$ (1.8)	\$ (4.5)





<b>Tax Topic</b>	<b>Bills</b>	<b>Description</b>	<b>Effective</b>	<b>2022/23</b>	<b>2023/24</b>
Dependent and Child Care Enhancement Program		Refundable tax credit for child and dependent care expenses. Eligibility is tied to the federal tax credit. Maximum expenses allowed are \$3,000 for one child or \$6,000 for two or more children. The expenses are multiplied by a percentage, ranging from 35 to 20% based on income (of \$15K to \$42K and up), and that product is multiplied by 30%. The maximum credit at income of \$15k is \$315 for one child and \$630 for two or more children. The maximum credit at income over \$42k is \$180 for one child and \$360 for two or more children.	For taxable years after Dec. 31, 2021	\$ (25.4)	\$ (36.7)
Inheritance Tax - Active Duty Military	HB 1342	Tax exemption on property transferred when a military member dies during active duty. Minimal fiscal impact.	60 Days	\$ -	\$ -
Table Games Tax		All table games taxes (base amount and additional 2%) shall be deposited into the General Fund. This redirects the money which would have been sent to the Property Tax Relief Fund based on a trigger of the amount in the Rainy Day Fund. Applies retroactively to July 1, 2022.	Immediately	\$ 145.0	\$ 151.2
Computer Data Centers		Extends the duration of the qualification period for a computer data center from 15 to 25 years to claim sales tax exemptions.	Immediately	\$ -	\$ -
<b>Total General Fund Impact</b>				<b>\$ (35.3)</b>	<b>\$ (250.4)</b>

