



# 2020/21 Fall Budget (SB1350) Summary

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## Revenue

- Official estimate was certified in May, when business and other closures were in place and durations were unknown
- As of November 1, 2020, revenues are \$824.5 million ahead of estimate
- Therefore, the Department of Revenue increased their FY 2020/21 estimate by \$1.99 billion
- Uncertainties still exist around the federal stimulus and any impact federal or state mitigations or consumer behaviors may have on our economy as COVID cases, deaths, and hospitalizations continue to rise

## Coronavirus Relief Fund (CRF)

- Utilizes \$1.333 billion of CARES Act CRF to reduce General Fund need in several areas

Agency	Appropriation	Amount (in thousands)
<b>Criminal Justice</b>	State Correctional Institutions	\$967,000
<b>Criminal Justice</b>	Inmate Medical Care	\$95,000
<b>Health</b>	General Government Operations	\$4,000
<b>Health</b>	State Health Care Centers	\$10,000
<b>Human Services</b>	Youth Development Centers	\$30,000
<b>State Police</b>	General Government Operations	\$225,970

## Retired Employees Health Program (REHP) Reductions

- Pennsylvania offers health insurance to some retired employees based on years of service and service class and those benefits are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF)
- This budget temporarily reduces contributions from the commonwealth into PEBTF for the REHP program, which will reduce reserves held by the Fund by approximately \$200 million in June 2021

## Property Tax Relief

- The interim budget in May allowed for up to \$300 million in CRF to replace estimated reduced casino gaming revenues
- U.S. Treasury rejected this planned use of the CRF
- The estimate was revised down from \$300 million to \$200 million as casino gaming revenues became known
- Because CRF cannot be used as planned, personal income tax revenues will be used to fund the \$200 million shortfall

## Rainy Day and Special Fund Transfers

- Transfers are used to help cover the overall budget shortfall
- \$100 million will be transferred from the Budget Stabilization Fund (Rainy Day Fund) to the General Fund
- \$50 million in transfers for COVID medical equipment and supplies completed under Act 10 of 2020, and reversed under Act 24 of 2020, will be reinstated and transferred to the General Fund
- \$381 million in additional transfers to the General Fund will be made from various special funds



## Fiscal Year 2020/21 Special Fund to General Fund Transfers

(amounts in thousands)

Fund	Amounts	In Act 10	New in FC
Agricultural Conservation Purchase Easement Fund	\$ 5,000	\$ 5,000	
Cigarette Fire Safety & Firefighter Protection Act Fund	\$ 150		\$ 150
Energy Development Fund	\$ 1,000		\$ 1,000
Environmental Education Fund	\$ 500		\$ 500
Highway Beautification Fund	\$ 150		\$ 150
Historical Preservation Fund	\$ 4,000		\$ 4,000
Industrial Sites Cleanup Fund	\$ 10,000		\$ 10,000
Industrial Sites Environmental Assessment Fund	\$ 7,500		\$ 7,500
Insurance Regulation and Oversight Fund	\$ 10,000		\$ 10,000
Job Training Fund	\$ 375		\$ 375
Judicial Computer System Aug Account	\$ 30,000		\$ 30,000
Local Government Capital Project Loan Fund	\$ 2,000		\$ 2,000
Machinery and Equipment Loan Fund	\$ 5,000		\$ 5,000
Medical Marijuana Program Fund	\$ 20,000		\$ 20,000
Pennsylvania Infrastructure Bank	\$ 5,000	\$ 5,000	
PennVEST Fund	\$ 10,000		\$ 10,000
PennVEST Drinking Water Revolving Fund	\$ 26,500		\$ 26,500
PennVEST Water Pollution Control Revolving Fund	\$ 9,000		\$ 9,000
Racing Fund	\$ 10,000		\$ 10,000
Recycling Fund	\$ 50,000		\$ 50,000
Surface Mining Conservation & Reclamation Fund	\$ 4,000	\$ 4,000	
Underground Storage Tank Indemnification Fund	\$ 30,000	\$ 30,000	
Volunteer Companies Loan Fund	\$ 6,000	\$ 6,000	
Worker's Compensation Security Fund	\$ 185,000		\$ 185,000
<b>Total</b>	<b>\$ 431,175</b>	<b>\$ 50,000</b>	<b>\$ 381,175</b>

### Human Services

- Administrative and state-owned facility appropriations are flat funded to FY 2019/20 levels, or the governor's fall budget request if lower, and reduced for REHP
- Funds programs subject to changes in enrollment and cost at the governor's fall budget request with some exceptions:
  - Assumes a fourth quarter of enhanced federal medical assistance percentage (FMAP) under the Families First Coronavirus Response Act for programs that earn FMAP offsetting General Fund dollars needed (\$560 million)
  - Cuts significant funding from Capitation (\$152 million) and Community HealthChoices (\$170 million)
  - \$3.8 million is included to serve 200 individuals with intellectual disabilities and/or autism waiting for services
- Funds remaining programs at the governor's fall budget request, which is generally the remaining 7/12<sup>th</sup> not enacted in the May interim budget
- Restores legislative initiative funding for most 2019/20 projects



## Education

- Maintains the interim budget's flat-funding for school districts, pre-k, and higher education
- The \$63.1 million increase in the basic education funding appropriation is to cover prior year shortfalls (\$37.6 million) and projected growth (\$25.5 million) in school employees' social security payments
- Fully funds Approved Private Schools and Early Intervention for ages 3 to 5 and provides the same level of funding for the Public Library Subsidy as in 2019/20

## General Services

- Excess insurance coverage, due to continuing global and national weather calamities, necessitates a \$2.9 million, or 215 percent, increase

## Conservation & Natural Resources

- Heritage and Other Parks receive full funding within the General Fund, whereas in FY 2019/20 a portion of the appropriation was budgeted in the Environmental Stewardship Fund
- Increased General Fund utilization, along with simultaneous reduction in reliance of Oil and Gas Lease Fund (OGLF)
  - Net OGLF reliance is reduced by 30 percent
  - Net General Fund support is increased by 13.9 percent
    - *State Parks Operations* see a decrease of 1.8 percent
    - *State Forests Operations* see additional 57.9 percent
    - *General Gov't Operations* see additional 3.5 percent

## Environmental Protection

- Return to full General Fund support in 2020/21 for major appropriations:
  - General Government Operations
  - Environmental Program Management
  - Environmental Protection Operations
- Year-over-Year changes are driven by three components:
  - Reduction in Prior Year budget
  - Full GF utilization in 2020/21
  - Reduction to REHP

## Agriculture

- Full year budget maintains the flat funding

## Transportation

- \$125 million increase to Highway & Safety Improvements, within the Motor License Fund, based on improved fund revenues in comparison to original projections
- Rail investment through federal funding allocation:
  - \$63.8 million for COVID - FTA - Keystone Corridor Equipment & Purchases
  - \$3 million for Line & Track Improvement

## Health

- Administrative appropriations are flat funded to FY 2019/20 levels, or the governor's budget request if lower, and reduced for REHP
- Local health departments were fully funded in the May interim budget
- Restores most legislative initiative funding to 2019/20 levels
- Other programs are generally flat funded to FY 2019/20 levels or governor's request, whichever is lower



## State Police

- \$67 million increase from 2019/20 in General Government Operations offsets the legislated decrease in the Motor License Fund
  - Received \$226 million from the CRF
- The Gun Checks fund received \$778K less than 2019/20 and \$1.4 million less than the executive budget.
  - \$575K was appropriated from the restricted Firearms Records Check fund based on recent check fee estimates to maintain PICS funding

## Criminal Justice

- General Government Operations are flat funded to 2019/20 levels with the exception of reductions to REHP
- Received \$967 million for State Correctional Institutions and \$95 million for Inmate Medical Care from the CRF
- The \$22.8 million over the year increase in Inmate Medical Care includes carryover costs from 2019/20
- State Field Supervision is funded \$925K above 2019/20 levels, but \$9.9 million below the 2020/21 Executive Budget

## PCCD

- Funded at 2019/20 levels with the exception of reductions to REHP

## PEMA

- Funded at 2019/20 levels with the exception of reductions to REHP

## DMVA

- General Government Operations funded at 2019/20 levels with exception of reductions to REHP
- Increases funding to the National Guard Youth Challenge by \$496K (49.3%)
- Provides an additional \$900K for Army Maintenance and Repair

## Judiciary

- Flat funded at 2019/20 levels

## Juvenile Court Judges Commission

- Funded at 2019/20 levels with the exception of reductions to REHP

## Community and Economic Development

- Established a \$5 million State Facility Closure Transition Program appropriation
- \$487K decrease in the Marketing to Attract Tourist appropriation compared to 2019/20 levels
- \$3.15 million increase in the Keystone Communities appropriation
- \$10 million decrease in the PA First appropriation
- \$6.233 million increase in the Local Municipal Relief appropriation

## Department of State

- \$9.044 million allocated for Voting Machine Debt Service, pursuant to Act 77 of 2019

## Row Offices

- Funded at 2019/20 levels with exception of reductions to REHP



## Debt

- \$38.4 million increase for general obligation debt service (under Treasury)
- \$9 million for voting machine debt service (under the Department of State)

## Labor and Industry

- Flat funding for the Office of Vocational Rehabilitation, Centers for Independent Living, and two assistive technology programs
- Level funding for New Choices/New Options
- \$2 million reduction for industry partnerships, which was proposed in the executive budget

## A Look Ahead to FY 2021/22

- The supplemental FY 2020/21 budget relies on \$4.6 billion in one time-uses of revenue, fund transfers, and payment shifts
  - Enhanced FMAP - \$2.070 billion
  - CARES Act CRF - \$1.333 billion
  - Special Fund Transfers - \$431.175 million
  - Rainy Day Fund Transfer - \$100 million
  - Community Health Choices cycle roll - \$483 million
  - County Child Welfare cost shift to FY 2021/22 - \$75 million
  - Joint Underwriting Association - \$200 million
- Our office estimates that the Department of Human Services is underfunded by approximately \$705 million - this number will change depending on the length and severity of the ongoing pandemic
- These items combined will make for a challenging FY 2021/22 budget
- The status of federal fiscal relief to states and municipalities continues to be uncertain

