



Comparing the Budget Proposals: Governor's Plan, HB 1416 & Civera Amendment

Overview

This week the Pennsylvania House of Representatives reported its budget bill, House Bill 1416. This legislation allocates \$26.7 billion in state general funds, about \$300 million more than the Governor's revised proposal. It restores most but not all of the cuts proposed in Senate Bill 850 and is funded through existing tax revenue, transfers from the Rainy Day Fund and other reserves, reallocation of a portion of the cigarette tax, and one-time sources.

The legislation moves \$1.3 billion in funding for many higher education institutions, including the State System of Higher Education, Community Colleges and PHEAA, from the General Fund to a proposed Higher Education Fund. The revenue source for the new fund has yet to be determined.

The House Republican caucus has prepared its own budget plan, the Civera amendment, which would allocate \$24.7 billion, or \$1.6 billion less than the Governor's \$26.4 billion proposal. The Civera amendment was originally conceived as an amendment to SB 850 and would restore some of the cuts proposed in SB 850. The Civera amendment uses reserves, the rededication of cigarette tax funds to the General Fund, and non-recurring revenues to bring SB 850 into balance.

Revenue

Both House proposals include most of the revenue items first proposed by Governor Ed Rendell in February 2009. The Civera amendment replaces the proposed natural gas severance tax with royalties from additional drilling on state lands and halts the scheduled reduction in the Capital Stock and Franchise Tax at the 2009 rate of 1.89 mills.

HB 1416 would raise a total of \$2.5 billion in revenue modifications and fund transfers. It would:

- Allocate \$350 million from the Health Care Provider Retention Account. The account, which is funded through 25 cents of the \$1.18 cigarette tax, has a \$714 million current year surplus.
- Allocate all \$750 million of the state's Rainy Day Fund.
- Raise \$190 million by permanently redirecting the 25-cent cigarette tax from the Health Care Provider Retention Account to the General Fund.
- Transfer \$150 million from the Tobacco Settlement Endowment Account.
- Change the remittance of income and sales taxes to conform with federal rules. This results in one-time revenue gains of \$165 million for the income tax and \$218 million for the sales tax.
- Suspend the phase-out of the Capital Stock and Franchise Tax, maintaining the 2008 rate of 2.89 mills which would raise \$373 million in 2009-10.
- Change the holding period for unclaimed property to three years, raising \$100 million.
- Use \$143 million in royalty payments from the Oil and Gas Lease Fund.
- Raise \$51 million from small fund transfers.

Education

Basic education: The Governor proposed \$5.65 billion in basic education funding, which included a \$418 million increase in the basic subsidy to fund the second year of the adequacy increment. The Civera amendment set basic education funding at \$4.5 billion and allocated \$729 million in federal ARRA funds to reach a total of \$5.2 billion, with no adequacy increment. HB 1416 provides an increase of \$300 million over 2008-09 to fund the adequacy increment. This plan provides \$5.1 billion in state funds and allocates \$418 million in federal ARRA funds for a total of \$5.528 billion. HB 1416 would increase the basic education line by 5.6% over 2008-09, but reduces state share of the total by \$118 million.

- **Special education:** All three proposals maintain funding at the 2008-09 level of \$1.027 billion.
- **Accountability Grants:** The Governor proposed \$271 million. The Civera amendment cut funding to \$200 million. HB 1416 restores funding to \$270 million.
- **Pre-K Counts:** The Governor proposed funding the program at \$95 million. The Civera amendment reduced funding to \$43 million. HB 1416 would fund Pre-K Counts at \$80 million, which is \$6 million less than in 2008-09.
- **Head Start Supplemental:** The Civera amendment and HB 1416 both fund at the Governor's level, \$39 million.
- **Education Assistance Tutoring Program:** The Governor proposed \$65 million. The Civera amendment cut to \$32.6 million. HB 1416 restores funding to \$65 million.
- **Public Library Subsidy:** \$75.5 million in 2008-09. The Governor revised his proposal to \$66 million. The Civera amendment reduces to \$37 million. HB 1416 funds at \$68 million, slightly higher than the Governor's revised request.
- **State Library:** \$4.8 million was appropriated in 2008-09. The Governor cut to \$2.4 million. Both House plans retain funding at reduced \$2.4 million level.
- Services to non-public school students is level funded at \$89 million.
- **Dual Enrollment:** The Governor proposed \$10 million. The Civera amendment eliminates funding. HB 1416 reduces funding to \$8 million.
- **Science: It's Elementary:** The Governor proposed \$13.6 million. The Civera amendment reduces to \$7.3 million. HB 1416 funds it at \$9 million.
- **Classroom for the Future:** Funding eliminated in all three proposals.
- **Teacher Professional Development:** \$39 million in 2008-09. The Governor proposed \$26 million. The Civera amendment funds it at \$5.6 million. HB 1416 sets funding at \$20 million.
- **Scranton State School for the Deaf:** The Governor and the Civera amendment eliminate funding. HB 1416 would reduce funding from \$7.3 million in 2008-09 to \$5.5 million.
- **Career and Technical Education:** Funded by the Governor and both House plans at \$64 million.

Legal Services

- The Governor's budget proposed \$3.2 million in state funds for legal services, the same as in 2008-09. The Civera amendment eliminates funding. HB 1416 restores funding to \$3.2 million.

Higher Education

HB 1416 eliminates \$1.27 billion in General Fund appropriations for the 14 colleges in the State System of Higher Education, the Pennsylvania Higher Education Assistance Agency (PHEAA), community college subsidy and capital fund, and the Thaddeus Stevens Technical College.

These four allocations would be transferred to a new Higher Education Assistance Fund, which would be funded with new revenue, although no revenue sources have been identified or approved.

HB 1416 has proposed funding at the same level as the Governor's June appropriation, which in most cases is significantly less than the original February request.

- **State System of Higher Education:** In February, the Governor proposed funding the 14 state system colleges at the same level as 2008-09, \$519 million. In June, that request was revised downward to \$465 million, a cut of slightly more than 10%. HB 1416 matches the Governor's proposal of \$465 million and uses \$54 million in federal stimulus dollars to bring total state funding of the state system back to the 2008-09 level of \$519 million. Like the other plans, the Civera amendment reduces state dollars directed to the state system schools, but not as deeply. That plan proposes \$504 million in funding for the state system in 2009-10, but does not use any federal stimulus money.
- **Higher Education Assistance Agency (PHEAA):** State funding for PHEAA is reduced from the current \$473 million in all three plans under consideration. The Governor's plan would reduce funding of grants for college-bound kids and institutions the least, cutting state funds to \$461 million. The Civera amendment reduces funding the most – taking state funds down to \$445 million, a cut of slightly less than 6%. HB 1416 falls in the middle, allocating \$459 million for 2009-10.
- **Community Colleges:** The Governor proposed a \$5 million increase in community college funding but reduced that allocation from \$241 million to \$215 million in June. The Civera amendment would maintain community college funding at the 2008-09 level. HB 1416 allocates \$215 million in state funds and \$21 million in ARRA funds for an increase of \$450,000 over the current year.
- **State-Related Universities:** In 2008-09, the four state-related schools (Penn State, Pitt, Temple, and Lincoln universities) received \$699 million in state funding. The Governor's revised allocation reduces state funding by 18%, or \$126 million – and does not allocate ARRA funds. The Governor had originally proposed a smaller cut of \$42 million, or 6%, to \$657 million, but this plan was revised downward. The Civera amendment restores state funding to \$657 million. The revised allocation under HB 1416 is unclear.
- Funding for other non-state related colleges, other than for the University of Pennsylvania's veterinary school, has been eliminated from the three budget proposals – a cut of \$28 million from 2008-09.

Department of Public Welfare

- **Outpatient Medical Assistance:** Funding was revised downward from the Governor's plan, as the Smart Pharmacy program is not included in either House budget proposal. HB 1416 spends \$498 million, \$10 million more than the Civera amendment.
- **Inpatient Medical Assistance:** Funding is set at \$390 million in HB 1416, which reflects the Governor's request. The Civera amendment funds Inpatient services at \$381 million.
- **Hospital Supplemental Payment:** These payments go to hospitals that offer certain high cost services. The payments are matched with federal Medical Assistance dollars. HB 1416 would fund eight hospital supplemental payments at the 2008-09 rate. This reflects an additional \$10 million from the Governor's proposal. The Civera amendment restores approximately 90% of six hospital supplemental payments but does not appear to include funding for Outpatient Disproportionate Share and Medical Education.
- **Welfare Cash Grants:** The Governor proposed \$268.6 million in cash grants to TANF recipients, up slightly from 2008-09, to reflect a small increase in enrollment. Both the Civera amendment and HB 1416 fully fund welfare cash grants.
- **Child Care Services for Working Families:** The Governor requested funding child care services at \$171.7 million, the same as the 2008-09 appropriation. The Civera amendment would allocate \$160 million. HB 1416 restores the proposed \$171.7 million allocation.
- **Child Care Assistance for Families Transitioning to Work:** The Governor's revised allocation for child care assistance is \$203 million, down from \$224 million in 2008-09. The Civera amendment further reduces that allocation by \$42 million. HB 1416 funds child care assistance at the Governor's \$203 million request.
- **Mental Health Services:** The Governor's revised budget allocates \$730 million for mental health services, a slight increase from 2008-09. The Civera amendment would cut about \$1.4 million from that allocation. HB 1416 funds mental health services at the Governor's revised level.
- **Behavioral Health Services (BHSI):** The Governor's revised proposal funds this at \$54.6 million, which includes \$11.3 million to replace Intergovernmental Transfer (IGT) funds slated for elimination. The Civera amendment does not include the \$11.3 million in state funds. This line is restored in HB 1416.
- **County Child Welfare:** The Governor's revised proposal funds services for abused and neglected children at \$1.048 billion, up \$10 million from 2008-09. The Civera amendment includes a 1% cut of \$10 million. HB 1416 set funding at \$1.048 billion.

Homeowners Emergency Mortgage Assistance Program (HEMAP)

- The Governor proposed flat-funding this program, which provides a loan to recently unemployed workers at risk of foreclosure, at \$11 million. The Civera amendment would reduce funding to \$9.7 million. HB 1416 funds HEMAP at \$12.5 million.

Grants to the Arts

- \$15.2 million was appropriated in 2008-09. The Governor proposed \$14 million. The Civera amendment eliminates funding. HB 1416 keeps funding at \$14 million.

Environmental Protection

- **Department of Environmental Protection:** The Governor proposed \$201.1 million in state funding for the department, a \$27.9 million reduction from 2008-09. The Civera amendment would reduce department funding by another \$29.3 million to \$171.9 million. HB 1416 would set the department's funding at \$199.2 million. Under all three budget proposals, the department would receive \$200 million in ARRA funds, with \$184 million allocated to the state energy program.
- **Environmental Program Management:** This initiative provides funding for the department's cleanup and program maintenance efforts. The Governor proposed \$38 million for it, a reduction of \$3.8 million from 2008-09. The Civera amendment would allocate \$36.8 million. HB 1416 would fund the same as the Governor's proposal.
- **Environmental Protection Operations:** The Governor proposed \$99.2 million for regional clean up and protection operational costs, a reduction of \$2.9 million from 2008-09. The Civera amendment would allocate \$92.8 million. HB 1416 would appropriate \$98.1 million.
- **Flood Control Projects:** The Governor would fund flood control projects at \$5 million, a reduction of about \$740,000 from 2008-09. The Civera amendment would eliminate the program. HB 1416 would fund it at \$4.2 million.
- **Consumer Energy Program:** This initiative promotes consumer energy conservation projects through state loans and grants. The Governor proposed funding it at \$15 million – double the 2008-09 appropriation. The Civera amendment eliminates funding for the program. HB 1416 funds it at the same level as the Governor's proposal.

Law Enforcement and Public Safety

- **State Police:** The Governor proposed \$190.3 million from the General Fund for state police operations, an increase of \$3.8 million from 2008-09. The Civera amendment would shave \$11.8 million from that plan, funding it at \$178.4 million. HB 1416 would appropriate \$193 million. The state police will also get \$85 million in ARRA funding through the General Fund.
 - Note: The state police get the majority of its funding – \$524 million – from the Motor License Fund.
- **Office of Attorney General:** The Governor proposed funding the attorney general's office at \$88.8 million, a reduction of \$5.7 million from 2008-09. The Civera amendment would reduce

funding to \$83.3 million, mostly by eliminating \$4.9 million for the Joint Local-State Firearm Task Force. HB 1416 would fund the office at \$88.3 million.

- **Corrections:** The Governor proposed \$1.6 billion in state funding for the Department of Corrections, with another \$215.3 million in federal funding (\$173.4 million from ARRA Fiscal Stabilization Funds). The Civera amendment reduces state funding by \$33.3 million, by cutting inmate medical care (\$18.7 million) and inmate education and training (\$12.8 million). HB 1416 funds corrections at the same level as the Governor's plan.
- **Probation and Parole:** The Governor proposed funding the Pennsylvania Probation and Parole Board at \$120.6 million, a \$5.8 million increase from 2008-09. The Civera amendment takes funding down to \$112.7 million. HB 1416 funds the board at the same level as the Governor.

Health Programs

- **Department of Health:** The Governor proposed funding the department at \$242.9 million, a reduction of \$45 million from 2008-09. The Civera amendment would appropriate \$236 million, while HB 1416 would appropriate \$247.5 million. Overall funding for the department is increased from 2008-09 due to \$38.7 million in ARRA funding.
 - **Regional Cancer Institutes & Bio-technology Research:** HB 1416 and the Civera amendment restore some funding for both of these programs, which was eliminated in the Governor's proposal. Regional Cancer Institutes would get \$1.2 million in both House plans (half of the \$2.4 million they received in 2008-09), and Biotechnology Research would receive \$2.6 million (half of the \$5.2 million it received in 2008-09).
 - **Operations:** Funding for Health department operations is also reduced by \$1 million in the Civera amendment (compared to \$25.7 million in the Governor's plan and HB 1416).
- **Health Care Reform:** The Governor and HB 1416 include state funds for several health care reform efforts under the Prescriptions for Pennsylvania program. The Governor's Office of Health Care Reform would be reduced from \$2 million in 2008-09 to \$1.2 million under both plans. The Civera amendment would eliminate all funding for the office.
 - The Civera amendment also eliminates \$2.7 million for primary care access; \$2.5 million for health care-associated infections; \$2 million for a health information exchange; and \$1.5 million for chronic care management.
- **CHIP:** The Governor proposed \$103.3 million in state funding for the Children's Health Insurance Program, which would draw down \$305.9 million in federal funding. The Civera amendment would flat fund CHIP at \$86.9 million. HB 1416 would fund the program at the same level as the Governor's plan.
- **adultBasic:** The Governor has proposed using \$251.7 million in state, federal and other funds to expand the state's adultBasic program in order to provide an affordable basic health care plan for up to 50,000 additional uninsured adults. There are currently 45,500 people enrolled in adultBasic and 272,200 on the waiting list.

AGRICULTURE

- Funding for the Department of Agriculture is fairly similar across the Governor's proposed budget, HB 1416, and the Civera amendment. In 2008-09, the department was allocated \$82 million. The Governor and the Civera amendment propose \$63 million and \$64 million, respectively, while HB 1416 proposes \$68 million, 6.1% above the Civera amendment.
- Agricultural Promotion, Education and Exports; Food Marketing and Research; Transition to Organic Farming; and Product Promotion and Marketing are eliminated in all three plans.
- HB 1416 and the Civera amendment restores funding for Pennsylvania Fairs and Farm Safety, which had been eliminated in the Governor's budget.
- The Civera amendment reinstates funding for Hardwoods Research and Promotion, the Livestock Show, the Open Dairy Show, the Junior Dairy Show and the 4-H Club shows, which were eliminated by the Governor and HB 1416.
- Agricultural Research, eliminated by the Governor, is reinstated in HB 1416.
- The Civera amendment eliminates funding for Agricultural Excellence, a program funded by the Governor and HB 1416.

COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)

- All three budget plans greatly reduce DCED funding from the \$618 million it received in 2008-09. The Governor proposed \$346 million in total funding for DCED, a 40% cut from 2008-09. HB 1416 proposes \$343 million. The Civera amendment would provide \$214 million in total funding, a reduction of 65% from current funding.
- Major programs cut by all three budgets include Community Revitalization, Regional Development Initiative, and Urban Development.
- Other programs with 30% to 60% reductions in all three budgets include Ben Franklin Technology Development Authority, Customized Job Training, Industrial Resource Centers, Economic Advancement, and Community and Regional Development.
- The Civera amendment proposes elimination of the Opportunity Grant Program and the Community Conservation and Employment program.

LABOR AND INDUSTRY (L&I)

- Both the Governor's budget (\$102 million) and HB 1416 (\$104 million) cut the Labor and Industry budget by more than 20% from its 2008-09 funding level of \$128 million. The Civera amendment cuts further, to \$84 million, a reduction of 34% from 2008-09.
- The Governor and HB 1416 cut roughly 30% from Industry Partnerships and Training Activities. The Civera amendment eliminates all funding for both programs.
- Funding for Employment Services is eliminated in all three budgets.

State Legislature

- **Senate:** Funding for State Senate members and staff totaled \$101.8 million in 2008-09. The Governor's revised proposal cut that to \$95.7 million. The Civera amendment further reduced the allocation to \$89.6 million, while HB 1416 sets funding at \$91 million, \$10 million less than 2008-09.
- **House of Representatives:** Operations for 203 House members totalled \$191 million in 2008-09. The Governor reduced that allocation to \$180.5 million. The Civera amendment sets funding at \$168.2 million. HB 1416 allocates \$172.7 million, \$18 million less than 2008-09.