



A Bridge to Somewhere

Governor Signs Bill to Fund Basic Services and Pay State Employees While Rest of the Budget is Hammered Out

August 7, 2009

On August 5, 2009, Governor Ed Rendell signed Senate Bill 850 into law, providing a “bridge” budget for the Commonwealth of Pennsylvania. The Governor utilized his line-item veto authority – also known as “blue-lining” – to reject \$12.9 billion of the \$23.9 billion in state funding appropriated in the bill. The remaining \$11 billion is allocated mostly for the operation of state government, Medicaid payments (providing health care for seniors, the poor, and the disabled), and cash and supplemental grant payments. Of \$2.7 billion in federal stimulus funding appropriated in SB 850, the Governor vetoed \$905 million (for prisons and basic education), leaving intact the remaining \$1.8 billion (for Medicaid).

The passage of SB 850 provides only for a “bridge” budget. It is not a final spending plan, and legislators are still negotiating a full state budget with the Governor. The purpose of this scaled-down budget is to ensure that state workers receive pay while negotiations continue.

Some state appropriations were not vetoed in order for the state to receive federal stimulus funding through the American Recovery and Reinvestment Act of 2009 (ARRA). These programs are concentrated in the Departments of Aging and Long-Term Living and Public Welfare, including the Community Mental Retardation Waiver Program, Early Intervention Program, Private Intermediate Care Facilities/Mentally Retarded Program, Attendant Care Services, and Services to Persons with Disabilities. Medicaid inpatient, outpatient, and claims payments also were not vetoed in accordance with ARRA’s provisions.

In many cases, the funding levels proposed in SB 850 were lower than the Governor’s proposals. For those line items enacted at the SB 850 level, the funding approved was in total \$294 million, or 4.1%, less than the Governor proposed in June.

Table 1. Summary of State Funding in Bridge Budget

	Governor’s Latest Proposal (June 2009)	Senate Bill 850 Proposal	Amount Enacted from SB 850	Amount Cut from SB 850
Approved 850 Amount	\$7,263,903	\$6,969,503	\$6,969,503	\$0
Approved Lesser Amount	\$4,899,816	\$4,681,206	\$3,998,383	\$(682,823)
Funding Eliminated	\$13,299,981	\$12,240,423	\$0	\$(12,240,423)
Total	\$25,463,700	\$23,891,132	\$10,967,886	\$(12,923,246)

Education

The Governor blue-lined almost all of the nearly \$9 billion appropriated to the Department of Education. Additionally, all funding (about \$443 million) for the Pennsylvania Higher Education Assistance Agency was vetoed. The \$504 million dedicated to the State System of Higher Education was also vetoed.

- Governor Rendell blue-lined all of the funds for Accountability Grants, teacher development, pupil transportation, special education, charter schools for the deaf and blind, employees' Social Security and retirement, community colleges, and subsidies to public libraries, among other programs.
- All of the \$4.5 billion in state funding for basic education funding was vetoed, along with \$728.8 million in federal ARRA funding for basic education.
- Among the Higher Education blue-lined items were vetoes for student grants, student aid, and Institutional Assistance Grants.
- In the State System of Higher Education, funding for state universities, affirmative action, and program initiatives was vetoed.
- Funding for the state related universities (Penn State, Pitt, Temple, and Lincoln) is not included in the regular budget bill. No funding plan for these schools has been adopted.

Public Welfare

Although many programs in the Department of Public Welfare were funded in order to receive ARRA funding, the Governor blue-lined many other programs so that budget negotiations could continue. He vetoed \$2.3 billion of the \$8.1 billion in state funding allocated by SB 850.

- In addition to funding programs to secure ARRA funding, the Governor approved funding for County Assistance Offices, State Centers for the Mentally Retarded, Child Support Enforcement, pharmaceutical services, and cash and supplemental grants.
- The Governor used line-item vetoes on all of the proposed funding for homeless assistance, autism services, behavioral health, county child welfare, and Child Care Services and Assistance.
- The funding for mental health services and Medical Assistance, the state's Medicaid program, was partially blue-lined. Again, some state funding was approved to meet Medicaid payment provisions of ARRA.

Environmental Protection and Resource Conservation

In the Department of Environmental Protection, \$18.5 million of \$161 million in state funding was vetoed. Most line items were partial vetoes rather than complete rejections or full approvals.

- Appropriations for environmental program management and protection operations, the two largest items in the department's budget, were both fully approved. These two programs fund the personnel operating the department.
- Additionally, \$5.8 million of the proposed \$94.3 million appropriated to the Department of Conservation and Natural Resources was rejected by the Governor. Accepted items include general operations, state park operations, and state forest operations – at the levels proposed by the Senate.

Law Enforcement and Public Safety

Very few vetoes were made in the areas of law enforcement and public safety, which includes the State Police, the Office of the Attorney General, the Department of Corrections and the Pennsylvania Probation and Parole Board.

- The State Police saw only \$12.1 million of \$178.4 million in state funding vetoed by the Governor. The only items blue-lined were in municipal police training, information technology, and gun checks.

- The only line-item veto in the Office of the Attorney General was to \$145,000 for County Trial Reimbursement. The remaining \$88.5 million was approved by the Governor and will be allocated for drug law enforcement, tobacco law enforcement, and other general operations.
- None of the \$1.6 billion in state funding for Corrections was vetoed by the Governor, although \$173.4 million in federal ARRA funding for Corrections was vetoed.
- Of the three line items for the Pennsylvania Probation and Parole Board, \$18.6 million for Improvement of Adult Probation Services was the only vetoed appropriation of the \$112.7 million in overall funding.

Health/Insurance/Aging and Long-Term Living

More than 60% of funding for the Department of Health was blue-line by the Governor. Most line items were completely vetoed rather than partially vetoed.

- Among the accepted appropriations are funds for state laboratories, health care centers, and vital statistics and quality assurance operations. Critical state-funded renal dialysis and services for children with special needs were also funded.
- Those programs vetoed included newborn screening, cancer control programs, cancer screening, and assistance to drug and alcohol programs, poison control centers, and school district health services, among others.
- In total, \$84 million in state funding for the Department of Health was approved by the Governor until a final budget is reached.
- Funding allocated for the Children’s Health Insurance Program (CHIP) and Adult Health Insurance in the Insurance Department were both blue-lined.
- The only item in the Department of Aging and Long-Term Living that was reduced was long term care, which was cut from \$630.6 million to \$588.2 million.

Governor’s and Executive Offices

Very few items were blue-line in the Governor’s and Executive Offices.

- More than \$38 million of the proposed \$154.8 million for Executive Offices was vetoed. The Office of Administration, Commonwealth Technology Services, Office of the Inspector General, Office of the Budget, the Human Relations Commission, among others, will be immediately fully funded at the levels proposed in SB 850.
- All of the \$6.5 million set aside for the Governor’s Office by SB 850 was accepted by the Governor.
- Nothing in the budget for Lieutenant Governor’s Office or the Board of Pardons was vetoed. The total allocation for this office is \$1.3 million.

Agriculture

In the Department of Agriculture, about \$25 million of the \$59 million proposed in SB 850 was blue-lined by the Governor.

- The only funding approved by the Governor is for the Animal Health Commission and for general operations of the department.
- Vetoed items include state food purchase, farmers’ market food coupons, and funding for the Nutrient Management Administration.

Community and Economic Development

The Department of Community and Economic Development saw more than \$103 million of the proposed appropriation of almost \$193 million vetoed and sent back to the Legislature for further negotiation.

- Included in the blue-lined items are marketing to attract tourists and business, Housing and Redevelopment Assistance, customized job training, and flood plain management.
- Funding for general operations, the Office of Open Records, PennPORTS operations, and the Commonwealth Financing Authority remained in SB 850.

Labor and Industry

Only 10% of the proposed nearly \$83 million proposed by SB 850 was vetoed by the Governor.

- Notable vetoes include supported employment, centers for independent living, the Pennsylvania Conservation Corps, and vocational rehabilitation services.
- Appropriations for workers' compensation payments, the Vocational Rehabilitation Fund, occupational and industrial safety, occupational disease payments, and general operations were left untouched by Governor Rendell.
- Funding for Training and Industry Partnerships was not part of SB 850, and were not added into the bridge budget.

Emergency Management Agency

Most of the funding for emergency management was accepted by the Governor. This includes appropriations for general operations, the State Fire Commissioner, and security and emergency preparedness.

Military and Veteran Affairs

About \$9.7 million of the proposed \$98.6 million for Military and Veteran Affairs was blue-lined.

- General operations, life insurance premiums, veterans' homes, blind veterans and paralyzed veterans pensions, and National Guard pensions were all line items accepted by the Governor.

Revenue

The Governor did not veto any of the nearly \$162 million for the Department of Revenue in SB 850. This includes general operations, revenue enforcement, and distribution of the public utility realty tax.

Treasury

Less than 1% of the \$983.8 million proposed for the Department of the Treasury was rejected by the Governor. Of the \$982.7 million approved, \$942.9 million (or 96%) is for the state's debt payments on outstanding bonds. The only blue-line items in the department were funds for intergovernmental organizations and for publishing monthly statements.

State Legislature

All of the \$288 million allocated to the state Legislature by SB 850 was rejected by the Governor. The state Senate and House of Representatives should have enough reserve funds to continue negotiations without additional state appropriation.

- The entire \$92 million appropriated for the Senate was blue-lined, including line items such as Senators' salaries, printing expenses, and caucus operations.
- The \$173.8 million for the House of Representatives was vetoed in its entirety. Rejected line items include salaries, expenses, printing expenses, and funding for the Legislative Management Committees of both parties.
- All of the funding for the Legislative Reference Bureau and the legislative committees and commissions was blue-lined as well.

Judiciary

Governor Rendell rejected 20%, or \$54.1 million, of the appropriations for the judicial branch. The judicial branch includes the Supreme Court of Pennsylvania, the Superior Court, the Commonwealth Court, Courts of Common Pleas, as well as funding for Community Courts, Magisterial District Judges, Philadelphia Courts, and County Courts.

- All funding for Philadelphia Courts and reimbursement of County Courts received blue-line vetoes, totaling \$42.2 million. General operations for the Supreme Court, Superior Court, Commonwealth Court, Courts of Common Pleas, Community Courts, and Magisterial District Judges will be immediately funded.
- Most other line items set aside for those courts, however, were vetoed by the Governor. These include judicial expense accounts, a number of committees, and funds for judicial education.

Conclusion

The bridge budget signed by Governor Rendell provides necessary funding to ensure state employees receive paychecks and that health care services are still provided for vulnerable Pennsylvanians.

However, much remains to be negotiated between the legislative caucuses and the Governor, including:

- Basic and higher education funding – affecting local school districts, colleges, and students
- Student loans
- Local library funding
- Health services and screening programs
- Children's Health Insurance
- Subsidized day care for working families
- Economic development
- Watershed protection and management
- County court reimbursement
- Legislative Branch funding

The clock is ticking as investments in education, children, and health care, as well as services for seniors, people with disabilities, and the unemployed are at risk. Weak tax collections in July 2009 reinforce the need for the Legislature to enact reasonable revenue measures as part of the 2009-10 spending plan. Among the revenue options the Legislature should consider are a small personal income tax rate increase, a broadening in the sales tax base, a delay in the phase-out of the Capital Stock and Franchise Tax, the closing of tax loopholes, and enacting a severance tax on natural gas extraction and an excise tax on other tobacco products. Without additional revenue, no spending plan being considered can be balanced and vital services will have to be cut.