



# Senate Budget Calls For Deep, Sweeping Cuts

## An Analysis of Senate Budget Bill (SB 850)

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On May 6, on a party-line vote, the Pennsylvania Senate passed a budget that makes deep cuts in most state services and programs.

Senate Bill (SB) 850 proposes spending \$24.6 billion in state general fund dollars in FY2009-10, effectively reducing state expenditures to 2005-06 levels. With the addition of \$2.7 billion in federal stimulus funds, total state spending rises to \$27.3 billion, \$1.7 billion less than the spending plan proposed by Governor Ed Rendell in February.<sup>1</sup>

Even with federal stimulus funds accounted for, every major department will be cut. Funding for the Department of Public Welfare will decline by \$250 million, a 4% cut, while funding for environmental protection will decline by 40%.

The Senate plan relies on cuts to balance the budget, rejecting other options. The plan leaves the state's \$740 million Rainy Day Fund untouched and contains little new revenue. It rejects the Governor's proposed tax on smokeless tobacco and other tobacco products, a new natural gas severance tax, and a cigarette tax rate increase. It leaves \$500 million in the Health Care Provider Retention Account, a portion of which could be used to avoid service cuts.

In total, the Senate plan cuts more than \$4.4 billion in state funds, employing a strategy that cuts state funds to the maximum extent where federal funds are available. This practice will make it more difficult to keep up when federal funds disappear in 2011. In its haste to slash spending, the Senate cut or eliminated preventive programs, from the Homeowners' Emergency Mortgage Assistance Program (HEMAP) to Nurse Family Partnerships to Supplemental Payments for Supplemental Security Income (SSI) beneficiaries, which redirect individuals to more costly alternatives and increase public costs over the long run. Finally, the Senate plan cuts services jointly funded with local governments, which will necessitate local tax increases in most instances.

### FUNDS TO COMMUNITIES

- \$418 million in funding for 501 school districts to improve student performance is eliminated.
- Local library funds are cut by 50%, from \$75 million to \$37 million.
- Funds for county services to neglected and abused children would decline by \$10 million.
- State reimbursement for county court costs are cut by \$1.2 million from the Governor's plan and \$3.2 million from 2008-09.
- Behavioral health services are cut an additional \$13.5 million on top of the Governor's \$34 million cut.

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<sup>1</sup> SB 850 also appropriates \$1.5 billion in federal stimulus funds that have directed uses – such as \$200 million in additional funds for low-income weatherization projects. These targeted funds have not been included in the calculations contained in this document.

## SERVICES TO CHILDREN AND FAMILIES

- The Children's Health Insurance Program (CHIP) is cut by \$7.7 million, reducing the number of children with health care by more than 4,200.
- \$17 million in child care subsidy funds for working parents is cut, eliminating subsidy slots for 3,400 children whose parents have left welfare for work, and 2,000 additional working parents.
- School district pre-kindergarten programs are slashed by 55% from \$95 million to \$43 million.
- 50% reduction to the state-funded expansion of the successful Head Start program, eliminating Head Start services to 2,810 children.
- Funding for preventative health screenings for newborn babies is cut by \$450,000.

## ASSISTANCE FOR VULNERABLE PENNSYLVANIANS

- Waiver services for almost 800 adults with developmental disabilities are eliminated.
- Funding for severely disabled adults in Attendant Care and other community-based programs are slashed by \$16 million.
- The total state appropriation for legal services—\$3.2 million—is eliminated.
- \$1.1 million is cut from HEMAP, a loan program that helps workers who lose their jobs avoid foreclosure and has a 92% loan repayment rate.
- Supported employment and job training for severely disabled individuals at their worksite is cut by 50%.

## ARRA Funds Allocated in Senate Budget

The Senate bill also allocates funding that Pennsylvania will receive under the federal fiscal stimulus bill, the American Recovery and Reinvestment Act (ARRA). [Click here](#) to access a table detailing those appropriations by department.

## Department Funding Under SB 850

### Aging/Long-Term Living and Public Welfare

The Senate bill retains the Governor's plan to transfer responsibility for long-term care services for the elderly and the disabled from the Department of Public Welfare to the Department of Aging. Both departments will receive a total of \$1.8 billion in federal fiscal stimulus funds earmarked for state Medicaid costs. And both will see significant cuts to their budgets under the Senate plan—\$257 million less for Public Welfare and \$98 million less for Aging. In addition to replacing state dollars with federal dollars, the Senate plan includes a number of cuts in health care, child welfare, and mental retardation. In many DPW programs, state funds draw down matching federal funds, so these cuts are likely to have a greater impact.

Supplemental payments to hospitals serving large numbers of low-income and uninsured individuals would be cut by \$96 million, on top of the Governor's proposed \$20 million cut. Funding for hospital obstetric and neonatal units, \$5 million, would be eliminated.

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Below is a summary of proposed funding by department, comparing SB 850 to the Governor’s February budget proposal. Totals include state general fund and federal stimulus dollars.

<b>2009-10 Governor's Proposed and Senate Bill 850 General Fund Appropriations by Department</b>				
	2009-10 Governor's Proposed	Senate Plan SB 850 W/Stimulus	Change from Governor's Proposed	% Changed
<b>TOTAL</b>	<b>\$28,972,643</b>	<b>\$27,296,068</b>	<b>(\$1,676,575)</b>	<b>-6%</b>
<b>Department</b>				
Governor's Office	\$7,274	\$6,527	(\$747)	-10%
Executive Offices	\$233,800	\$154,781	(\$79,019)	-34%
Lieutenant Governor	\$1,500	\$1,315	(\$185)	-12%
Attorney General	\$92,557	\$88,680	(\$3,877)	-4%
Auditor General	\$50,996	\$48,447	(\$2,549)	-5%
Treasury	\$993,190	\$987,839	(\$5,351)	-1%
Aging / Long Term Living	\$1,329,733	\$1,231,342	(\$98,391)	-7%
Agriculture	\$68,197	\$59,273	(\$8,924)	-13%
Community and Economic Development	\$401,041	\$192,933	(\$208,108)	-52%
Conservation and Natural Resources	\$113,482	\$94,343	(\$19,139)	-17%
Corrections	\$1,803,355	\$1,772,186	(\$31,169)	-2%
Education (includes Higher Ed.)	\$11,569,037	\$10,923,744	(\$645,293)	-6%
<i>Basic Education</i>	<i>\$5,864,396</i>	<i>\$5,557,281</i>	<i>(\$307,115)</i>	<i>-5%</i>
Environmental Protection	\$210,812	\$160,890	(\$49,922)	-24%
General Services	\$127,294	\$118,160	(\$9,134)	-7%
Health	\$253,398	\$230,862	(\$22,536)	-9%
PHEAA	\$513,672	\$442,665	(\$71,007)	-14%
Historical and Museum Commission	\$26,439	\$19,543	(\$6,896)	-26%
Insurance	\$122,944	\$112,053	(\$10,891)	-9%
Judiciary	\$288,716	\$276,360	(\$12,356)	-4%
Labor and Industry	\$105,094	\$82,928	(\$22,166)	-21%
Legislature	\$309,293	\$293,028	(\$16,265)	-5%
Military and Veterans Affairs	\$110,381	\$98,615	(\$11,766)	-11%
Probation and Parole	\$122,714	\$112,723	(\$9,991)	-8%
Public Television Network	-	-	-	0%
Public Welfare	\$9,645,909	\$9,389,197	(\$256,712)	-3%
Revenue	\$205,835	\$169,906	(\$35,929)	-17%
State	\$11,959	\$11,478	(\$481)	-4%
State Police	\$194,730	\$178,445	(\$16,285)	-8%
Transportation	\$27,941	\$12,581	(\$15,360)	-55%
All Other Agencies/Departments	\$31,350	\$25,224	(\$6,126)	-20%

The Governor's proposed budget included some new funding for extremely vulnerable individuals, including waiver services for people with significant disabilities and adults with mental retardation. These would be eliminated under the Senate plan.

Supplemental grants for blind, disabled, and older individuals who receive federal Supplemental Security Income (SSI) and live in personal care boarding homes would be reduced by almost \$28 million. Without these funds, these individuals are at risk of losing their housing and moving to more expensive institutional or nursing home care.

### Community and Economic Development

In his 2009-10 executive budget, the Governor proposed cutting state funding for the Department of Community and Economic Development (DCED) by more than a third. The Senate proposal goes significantly further, cutting the Governor's proposal for 2009-10 by more than half, from \$401 million to \$193 million. If enacted, this would be a reduction of more than two-thirds from the amount spent for DCED in 2007-08.

In recent years, the General Assembly has restored the Governor's proposed cuts to DCED. Instead, SB 850 goes further than the Governor, eliminating 17 additional programs including a number of community redevelopment programs (e.g., Elm Street, Main Street, and Enterprise Zones), business and community grants (e.g., Opportunity Grant Program and Community Conservation and Employment grants), trade and business technical assistance (e.g., World Trade PA), and state assistance to help distressed communities grapple with financial issues.

Senate Republicans state that their 2009-10 budget plan includes a reduction of \$250 million in DCED-administered tax credit programs. Details are not included in the legislation.

### Corrections and Other Public Safety

The Governor proposed \$1.8 billion in Corrections spending in FY 2009-10, which included some federal stimulus dollars. The Senate plan maintains funding for state prisons, but reduces state funding for all other programs within the Department of Corrections by 10%, including inmate health care (8.5%) and inmate education and training (16.5%). With the inmate population expected to increase by 1,950 in the coming fiscal year and health care costs continuing to rise, the Senate plan's cuts all but guarantee less access to health care for incarcerated people under the state's supervision, which could lead to higher health care costs in future years as once easily treated problems worsen.

The State Police would be cut by \$16 million, and Probation and Parole by \$10 million. Total state funding for the Judiciary would decline by \$12 million.

### Education

The Department of Education's budget is particularly hard hit by the Senate bill, which cuts more than \$728 million in state funding for public education and taps into federal fiscal stimulus dollars to flat fund the basic education subsidy at 2008-09 levels. The Governor had proposed using fiscal stimulus funds to increase education funding by \$418 million in accordance with an effort to fund schools more equitably, based on the findings of the Legislature's Costing Out Study.

The 14 colleges and universities in the State System of Higher Education would be cut by \$15 million, and community college funding is reduced by \$5 million. The Senate budget plan cuts PHEAA grants to Pennsylvania students, eliminates funding for college loans for disadvantaged students, and cuts loan forgiveness programs for nurses and other specialized occupations in short supply.

In February, the Governor proposed \$42 million in budget cuts for state-related universities (Penn State, Pitt, Temple, and Lincoln Universities) for 2009-10. As the level of federal stimulus funding that Pennsylvania would receive became more apparent in March, Governor Rendell announced he would use federal funds to replace this lost \$42 million in state funding, bringing overall funding back to 2008-09 levels. The Senate plan proposes the same state funding levels that the Governor did in February, but uses federal stimulus dollars to restore the state-related schools only to 2007-08 funding levels. This represents an overall decrease in funding of \$9.8 million from what the Governor announced in March.

### Environmental Protection and Conservation

The Senate plan would slash a quarter of the Department of Environmental Protection's current year appropriation, taking the Governor's proposed \$211 million figure for the department down to \$161 million. That includes less funding for flood control projects, storm water management, sewage facilities grants, and the consumer energy program, among other areas.

The Department of Conservation and Natural Resources sees its General Fund budget cut by 16.9%, with state park funding decreasing by \$8.2 million and state forest funding cut by \$7.6 million. Budget cuts would reduce access to campgrounds, beaches, and environmental education centers operated by the department.

### Revenue

The Department of Revenue budget would be cut by nearly \$36 million, including the elimination of more than \$4 million for technology modernization, and \$6 million in improved enforcement. The state has long known that there are gaps in its ability to enforce current tax laws due to the lack of computing power and comprehensive auditing techniques. The Senate plan strikes these programs precisely when they can do the most good and helps ensure that some taxpayers can continue to pay less than their legal share.

### Conclusion

Many who have advocated for reduced state spending as a solution to the state budget deficit have made the case that the budget is full of inefficiency and fat that could be cut, and that state services, local governments or vulnerable Pennsylvanians would not be harmed. SB 850 makes it abundantly clear that fixing the state budget will not be painless at all. Instead, it will diminish services at every level, all but force local governments to raise property taxes, and leave people who are already suffering from the recession with fewer options and little hope. Moreover, the budget wipes out any gains that have been made in the lives of Pennsylvanians and will make it harder to come out of the recession when federal funds are gone. A balanced approach—one that uses existing savings, like the Rainy Day Fund; increases revenue, particularly in cases where Pennsylvania is the last state to impose a tax, as with smokeless tobacco products and natural gas; reigns in tax loopholes and cheaters; and shares the costs broadly—would better address the short-term problem and secure the Commonwealth's citizens for the long term.