

# Commonwealth of Pennsylvania

# 2014-15 Executive Budget

**Tom Corbett**  
*Governor*

**Charles B. Zogby**  
*Secretary of the Budget*

**February 4, 2014**

# 2014-15 Executive Budget

Tom Corbett, Governor • Charles B. Zogby, Secretary of the Budget

www.budget.state.pa.us



## Gov. Tom Corbett's first budget, a \$27.15 billion spending plan, is signed on time

With about 15 minutes to spare before the July 1 start of the new fiscal year, Gov. Tom Corbett put pen to paper and signed his name on the first state budget of his five-and-a-half-month-old administration. The plan calls for spending \$27.15 billion in the 2011-12 fiscal

first step in redirecting, recovering and having our fiscal house in order. ... This is a budget that works for Pennsylvania." The plan also meets or exceeds several of the priorities that he set out in his March budget proposal. It keeps spending below his \$27.3 billion ceiling on spending. It

the time the year's last receipts are counted. And it doesn't rely on revenue from a tax on natural gas drillers, something he told voters he would veto if it came to a vote.

## Governor Corbett's 2013-14 Budget: Historic Funding for Human Services

Programs for Domestic Violence, Rape Crisis and Older Pennsylvanians Receive Record State Funding

Governor Tom Corbett's 2013-14 budget delivers on his promise to support those in Pennsylvania who need it most. It provides record funding to help older Pennsylvanians struggling to make ends meet," Corbett said. "Helping these individuals is not only the right thing to do, it's our moral obligation."

## Pennsylvania Governor Corbett Signs Budget that Controls Spending Without Increasing Taxes

Harrisburg, Pa., July 1, 2012 - Governor Tom Corbett yesterday signed the 2012-13 budget that strengthens the state's economic and education system, while continuing his commitment to

improvements to the criminal justice system. The budget that holds the line on tax hikes calls for cuts of 20 percent to 30 percent for many of the state's publicly funded universities. Nobody should be surprised that Gov. Corbett has governed just as Candidate Corbett promised to, and his proposed budget very much reflects the

## CORBETT SIGNS LARGEST STATE EDUCATION BUDGET IN PENNSYLVANIA HISTORY

HARRISBURG, PA - Republican Party of Pennsylvania Chairman Rob Gleason released the following statement regarding the on-time passage of the Commonwealth's FY 2013-2014 budget today.

"I applaud Governor Corbett and members of the Pennsylvania State Senate and State House for their leadership and hard work to get the path that invests a record amount of funding and keeps us competitive." "The budget is an education budget that invests Pennsylvania dollars in the classroom before Governor Corbett took office and State

July 12, 2012  
Governor Corbett signed the 2012/2013 budget on time for the second year in row. The budget does not include any new taxes or tax increases and increases spending over the 2011/2012 budget by only 1.7%. As with the budget each year, the total spending stays about the same

## 2014-15 Budget Highlights

*Following on three balanced budgets delivered on time, Governor Corbett's 2014-15 Executive Budget is a \$29.4 billion spending plan that combines prudent fiscal management with strategic investments in jobs, education, and health care and human services to build a stronger Pennsylvania.*

- Governor Corbett's 2014-15 Executive Budget provides for a balanced budget that keeps spending in line with available revenues and does not raise taxes on Pennsylvania families and businesses.
- Spends \$29.4 billion – a 3.3 percent increase over 2013-14.
- The budget includes the Governor's *Building A Stronger Pennsylvania* plan making new strategic investments to address Pennsylvania's three most urgent priorities:
  - ✓ Jobs: Growing family-sustaining jobs with targeted investments to spur job creation and economic growth, expand job training programs and continue business tax reductions.
  - ✓ Education: Greater support for students, educators and schools, increased accountability and improved transparency backed by historic investments of resources, including a \$241 million *Ready to Learn* Block Grant.
  - ✓ Health Care: Implements *Healthy Pennsylvania*, a comprehensive plan to increase access to quality, affordable health care for all Pennsylvanians.

## General Fund Financial Statement

	(Dollars in Millions)	
	2013-14 <u>Enacted</u>	2013-14 <u>Revised</u>
<b>Beginning Balance</b> .....	\$ 541	\$ 541
Beginning Balance Adjustment .....	0	5
Revenue Estimate .....	29,116	29,116
Refunds .....	(1,275)	(1,275)
<b>Total Revenue</b> .....	<u>27,841</u>	<u>27,841</u>
Lapses .....	1	251
<b>Funds Available</b> .....	<u>28,383</u>	<u>28,638</u>
Enacted Expenditures .....	(28,376)	(28,422)
Supplemental Appropriations .....	0	(70)
Current-Year Lapses .....	0	70
<b>Total Expenditures</b> .....	<u>(28,376)</u>	<u>(28,422)</u>
Preliminary Balance .....	7	216
Transfer to the Rainy Day Fund .....	(2)	0
<b>Ending Balance</b> .....	<u>\$ 5</u>	<u>\$ 216</u>

## 2013-14 Supplemental Appropriations Request

**A total of \$69.9 million in supplemental requests:**

- **Corrections – \$20 million**
  - Increases in Inmate Medical Care and State Correctional Institutions.
  
- **Military and Veterans Affairs – \$843,000**
  - Increase in Paralyzed Veterans Pension.
  
- **Public Welfare – \$53 million**
  - Increases in Medical Assistance (MA) – Outpatient, MA – Inpatient, Home and Community-Base Services, Long-Term Care Managed Care, Autism Intervention and Services, Services to Persons with Disabilities, MA – Workers with Disabilities.
  - Decreases in Payment to the Federal Government – Medicare Drug Program, MA – Capitation, Long-Term Care, MA – Transportation, Special Pharmaceutical Services.
  
- **Education – \$4 million**
  - Decreases in School Employees’ Social Security and Retirements offsetting an increase in Early Intervention.

## 2013-14 General Fund Revenues

*In the first seven months of 2013-14, Corporation Taxes and Non-Tax revenue are above estimate, while Personal Income Tax and Consumption Tax revenue are below estimates. Total revenue collections are \$42.2 million under estimate.*

	Estimated	Actual	\$ Difference	% Difference
Tax Revenue:	<i>(Dollars in Millions)</i>			
Corporation Taxes	\$ 1,353.0	\$ 1,440.9	\$ 87.9	6.5%
Consumption Taxes	6,204.1	6,169.6	-34.5	-0.6%
Sales & Use – Non- Motor	4,701.1	4,688.2	-13.0	-0.3%
All Other	1,503.0	1,481.4	-21.6	-1.4%
Other Taxes	7,019.1	6,901.7	-117.4	-1.7%
PIT Withholding	5,157.5	5,082.2	-75.3	- 1.5%
PIT Non-Withholding	1,073.2	1,048.0	-25.2	-2.3%
All Other	788.4	771.5	-16.9	-2.1%
Non-Tax Revenue	111.1	133.1	22.0	19.8%
<b>Total</b>	<b>\$ 14,687.3</b>	<b>\$14,645.1</b>	<b>-\$ 42.2</b>	<b>-0.3%</b>

## General Fund Financial Statement

	(Dollars in Millions)	
	2013-14 <u>Revised</u>	2014-15 <u>Budget</u>
<b>Beginning Balance</b> .....	\$ 541	\$ 216
Beginning Balance Adjustment .....	5	0
Revenue Estimate .....	29,116	30,315
Proposed Revenue Changes .....	0	225
Refunds .....	(1,275)	(1,310)
<b>Total Revenue</b> .....	<u>27,841</u>	<u>29,230</u>
Lapses .....	251	0
<b>Funds Available</b> .....	<u>28,638</u>	<u>29,446</u>
Enacted Expenditures .....	(28,422)	(29,419)
Supplemental Appropriations .....	(70)	0
Current-Year Lapses .....	70	0
<b>Total Expenditures</b> .....	<u>(28,422)</u>	<u>(29,419)</u>
<b>Preliminary Balance</b> .....	216	27
Transfer to the Rainy Day Fund .....	0	(7)
<b>Ending Balance</b> .....	<u>\$ 216</u>	<u>\$ 20</u>

## Proposed Revenue Changes

	<b>2014-15 Proposed</b>
<b>Non-Tax Revenue:</b>	<i>(Dollars in Thousands)</i>
Escheats ( <i>reduce holding period from 5 years to 3 years</i> )	\$ 150,000
No-Surface Impact Leasing of State Forests and Park Lands	75,000
<b>Total</b>	<b>\$ <u>225,000</u></b>

## U.S. Economic Forecast for 2014-15

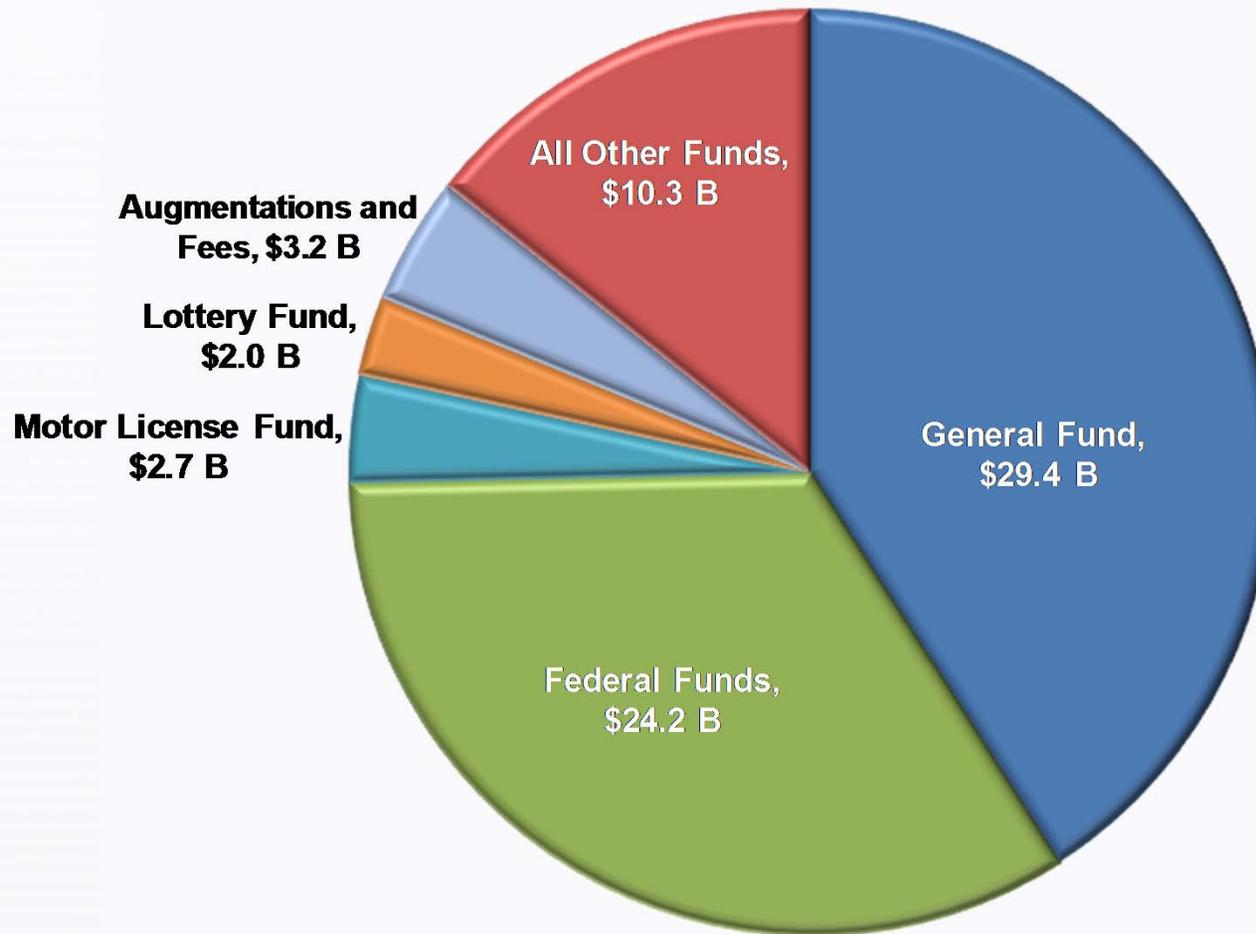
*Moderate growth continues in the U.S. as it has over the last several years. The forecast is that GDP will pick up in 2014 and grow through 2017. The recent strength of the economy has prompted the federal government to begin its long-anticipated tapering, although there are still concerns. Employment rose in December although it was at the slowest pace in almost three years, and the January 2014 report for consumer confidence showed an unexpected drop. More job opportunities, higher property values and rising equity prices are boosting household wealth and should keep consumers spending.*

### Global Insight's Outlook for 2014-15

#### *Projected Growth in 2013-14 and 2014-15*

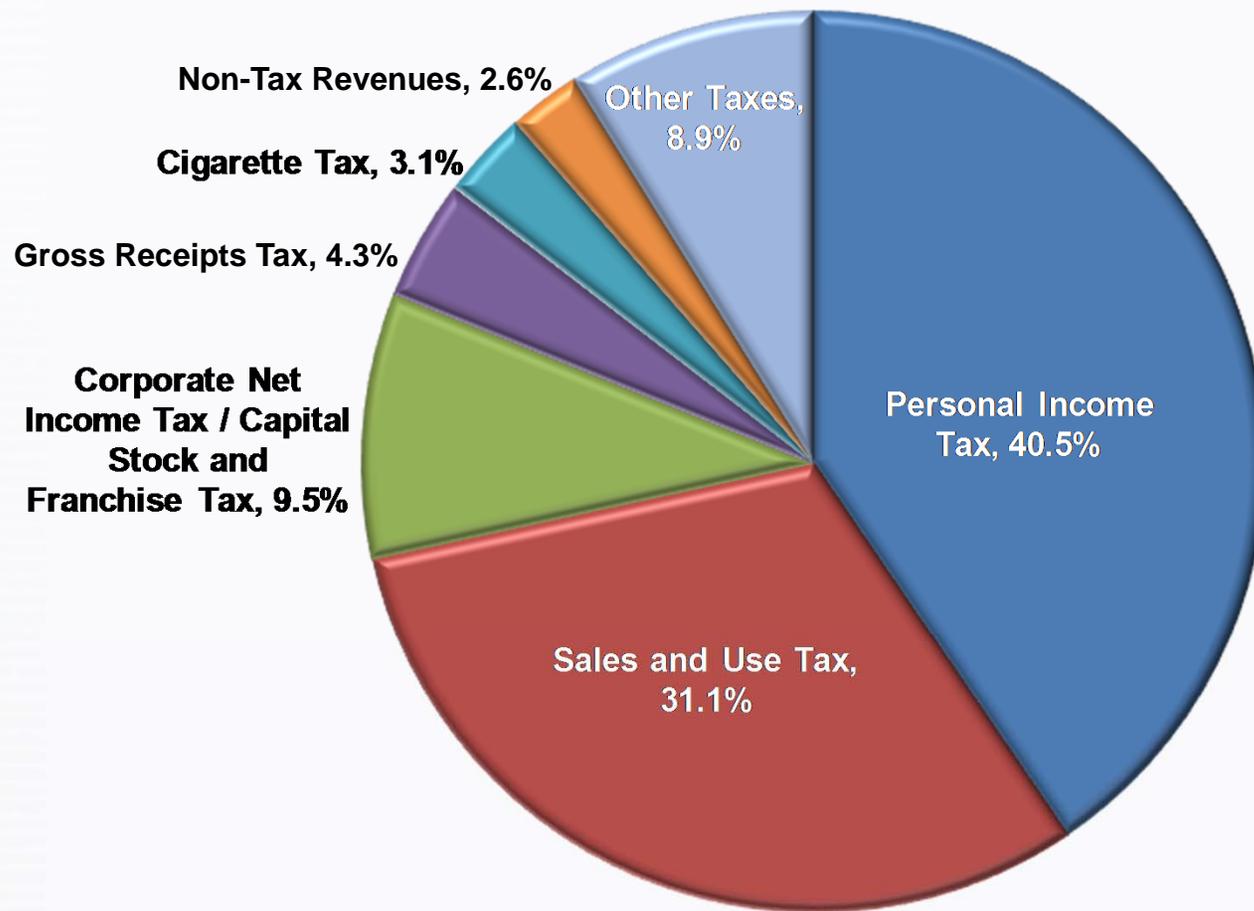
	<u>2013-14</u>	<u>2014-15</u>
<b>Real GDP</b>	2.7%	3.2%
<b>Consumer Expenditures</b>	2.5%	2.7%
<b>U.S. Wages &amp; Salaries</b>	2.2%	2.3%
<b>U.S. Unemployment Rate</b>	6.5%	5.9%

## 2014-15 Total Operating Budget – \$71.8 Billion



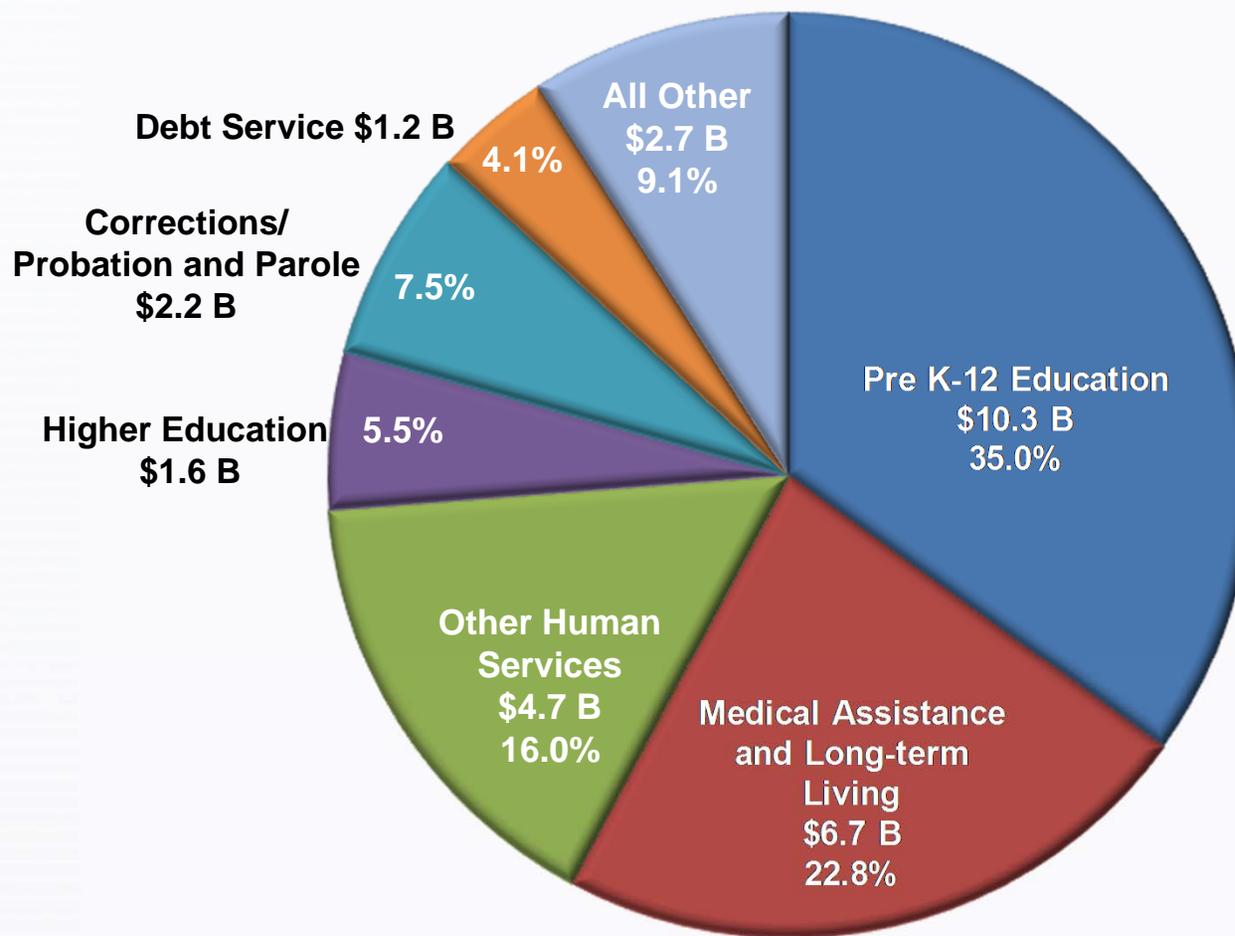
*The total 2014-15 operating budget, including all commonwealth funds, is \$71.8 billion. The General Fund represents 41 percent of this amount.*

## 2014-15 General Fund Revenue Sources – \$30.5 Billion



*More than two-thirds (72 percent) of General Fund revenues are derived from the Personal Income Tax and the Sales and Use Tax.*

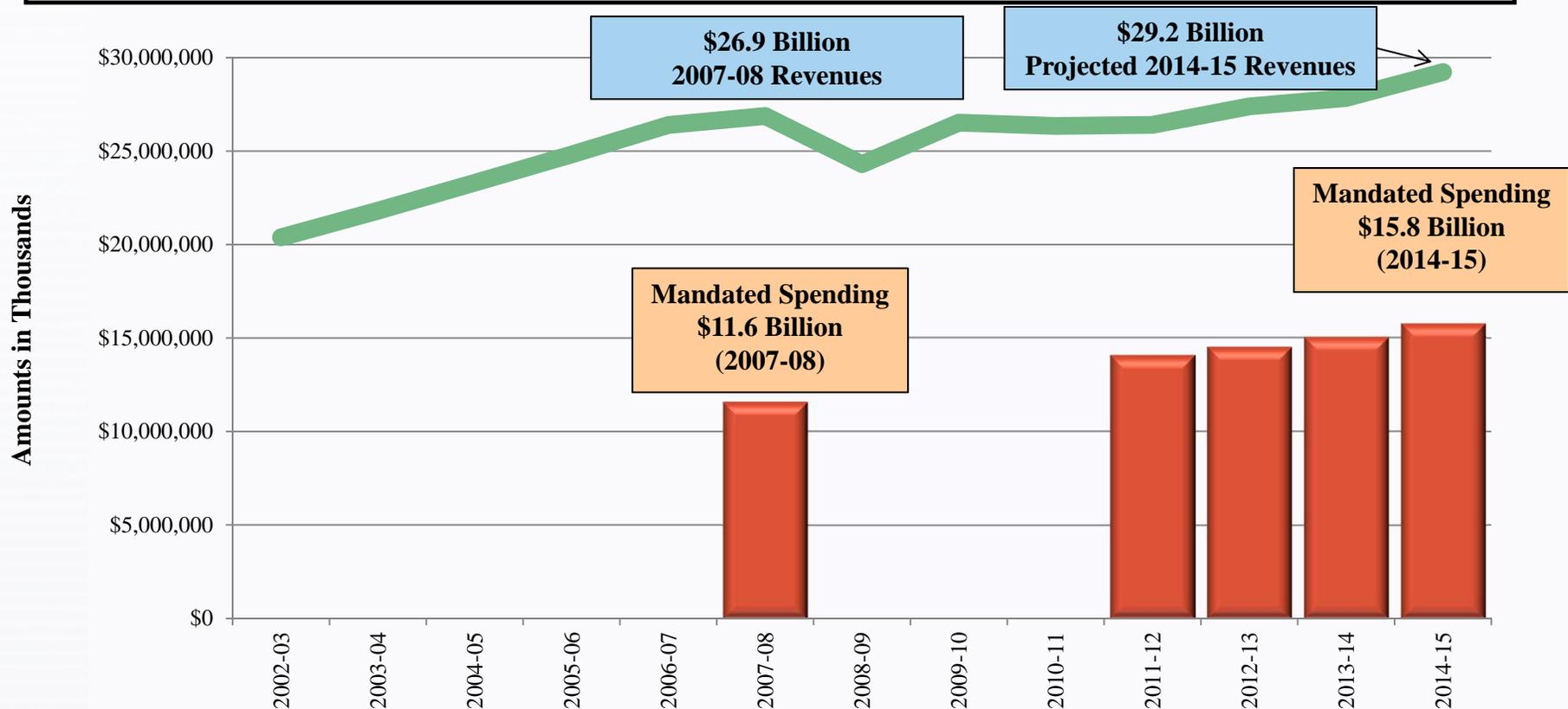
## 2014-15 State General Fund Budget – \$29.4 Billion



*Spending on Education, Human Service programs, Corrections and Debt Service comprises 91 percent of total General Fund obligations.*

## History of General Fund Revenues

*Illustrating the depth and length of the Great Recession, the 2012-13 fiscal year was the first time that General Fund revenues were greater than revenues in 2007-08. Between 2007-08 and 2014-15, spending in mandated areas of the budget is estimated to increase by \$4.2 billion, while net revenues will grow by only \$2.3 billion over the same period of time. This imbalance between revenue growth and mandated spending has the effect of crowding out spending in all other areas of the budget.*



# Building a Stronger Pennsylvania

*~ Growing Family Sustaining Jobs ~*

*~ Ready to Learn – Educational Excellence in Pennsylvania ~*

*~ Healthy Pennsylvania ~*

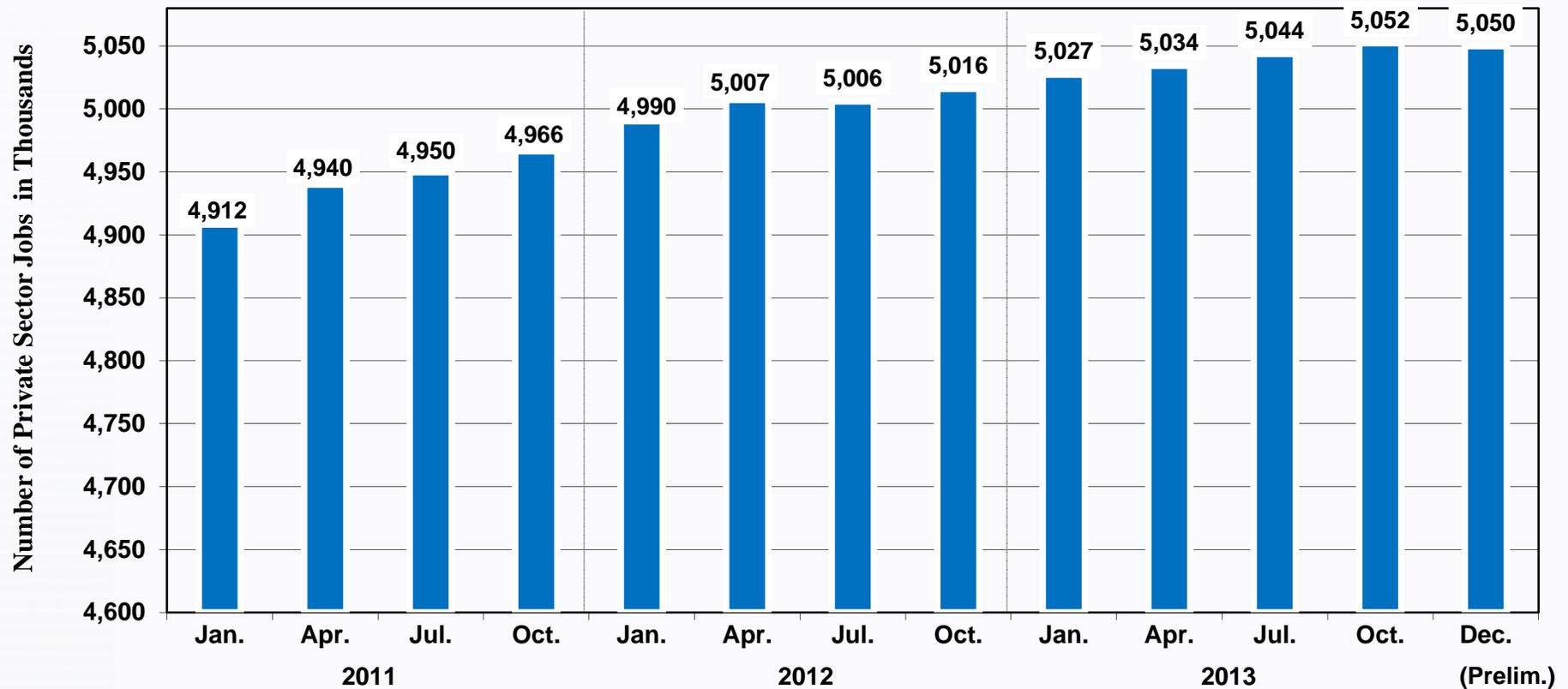
## Growing Family Sustaining Jobs

*Governor Corbett's top priority is to create an environment in which good, family-sustaining jobs can grow. The 2014-15 budget focuses on improving Pennsylvania's position in the global marketplace through continued strategic investments to spur job creation and economic growth. The two core focus areas are Make It In PA and Pennsylvania's Talented Workers.*



## Growing Family Sustaining Jobs

*Since Governor Corbett took office, Pennsylvania has increased in private sector jobs by approximately 138,300.*



## Economic Development – Make It In PA

### Capital Stock and Franchise Tax (CSFT)

- Continued phase-out of the Capital Stock and Franchise Tax. The CSFT is eliminated beginning 2016.

CSFT Rates	
2013	0.89
2014	0.67
2015	0.45
2016	0.00

### Pennsylvania First

- \$5 million increase, including \$2 million allocated to WEDnetPA Job Training to train an additional 10,000 employees.

### Partnership for Regional Economic Performance (PREP)

- \$500,000 to support regional efforts to bring jobs back home through a targeted technical assistance program aimed at manufacturers who have moved operations overseas and want to bring them back to Pennsylvania.

## Economic Development – Make It In PA

### Agricultural Research

- \$1.5 million increase in the General Fund transfer to the Agricultural College Land Scrip Fund. The increased funds will be used as matching grants to support expanded agriculture research and extension activities.

### World Trade PA

- \$604,000 increase to support the Governor’s Action Team to expand exports from Pennsylvania businesses to key international markets and attracting foreign investment into the commonwealth.

### Marketing to Attract Business Program

- \$1.1 million increase to market Pennsylvania for business attraction.

### Statewide Travel, Tourism and Film-Related Economic Development

- \$1.25 million increase to bolster statewide travel, tourism, and film-related economic development.

## Economic Development – Talented Workers

### Targeted Industry Program

- \$1 million increase to expand access to grants for students seeking skill certifications in high-demand job areas.

### *Jobs for All Initiative*

- \$1 million increase in state funds that will leverage an additional \$3.8 million in federal funds for a total of \$4.8 million to expand on-the-job-training for young people with disabilities through the Department of Labor and Industry's Office of Vocational Rehabilitation.

### JOB Partnership Fund

- A public-private partnership seeded with \$10 million from the PA First Program, the JOB Partnership Fund will be matched by \$90 million in private capital to assist in attracting job creators to locate in Pennsylvania.

## Economic Development – Transportation

*On November 25, 2013, the Governor signed into law HB 1060 (Act 89 of 2013). This bi-partisan agreement will keep Pennsylvania safe and economically competitive by investing a total of \$7.4 billion in additional funds into the state's roads, bridges, transit, and multimodal transportation systems by the fifth year of the plan.*

	<i>(Dollars in Thousands)</i>					
	2013-14	2014-15	2015-16	2016-17	2017-18	Five- Year Total
<b>Motor License Fund:</b>						
State Highways & Bridges	\$ 190,015	\$ 553,127	\$ 807,728	\$ 1,011,252	\$ 1,273,662	\$ 3,835,784
Municipal Payments	27,838	105,946	148,355	176,248	207,242	665,629
Local Bridge	7,000	13,000	20,000	21,000	30,291	91,291
Pennsylvania Turnpike	12,641	43,161	61,090	71,575	86,192	274,659
Boat Fund Tax Refund	1,700	4,600	5,100	5,700	6,300	23,400
Dirt & Gravel Roads	-	30,000	30,000	30,000	30,000	120,000
County/Forestry Bridges	1,806	6,166	8,727	10,225	12,313	39,237
<b>Multimodal Fund</b>	\$ 30,000	\$ 97,000	\$ 138,000	\$ 138,000	\$ 144,000	\$ 547,000
<b>Transit</b>	\$ 60,000	\$ 355,000	\$ 441,000	\$ 442,000	\$ 497,000	\$ 1,795,000
<b>Total Additional Funding</b>	<b>\$ 331,000</b>	<b>\$ 1,208,000</b>	<b>\$ 1,660,000</b>	<b>\$ 1,906,000</b>	<b>\$ 2,287,000</b>	<b>\$ 7,392,000</b>

## *Ready to Learn* – Educational Excellence in Pennsylvania

*Governor Corbett's Ready to Learn education agenda has transformed Pennsylvania's public education system. Ready to Learn has increased accountability and transparency in schools, infused stronger educational resources into classrooms, and focused financial resources on supporting students at all levels.*

*The Governor's 2014-15 budget marks the next phase of the Ready to Learn with new strategic investments across the entire continuum of public education. In addition to supporting these initiatives, the budget also makes historic investments in our public schools, setting an all-time high of \$10.12 billion in direct state support for public education, a \$1.55 billion increase over the past four years.*



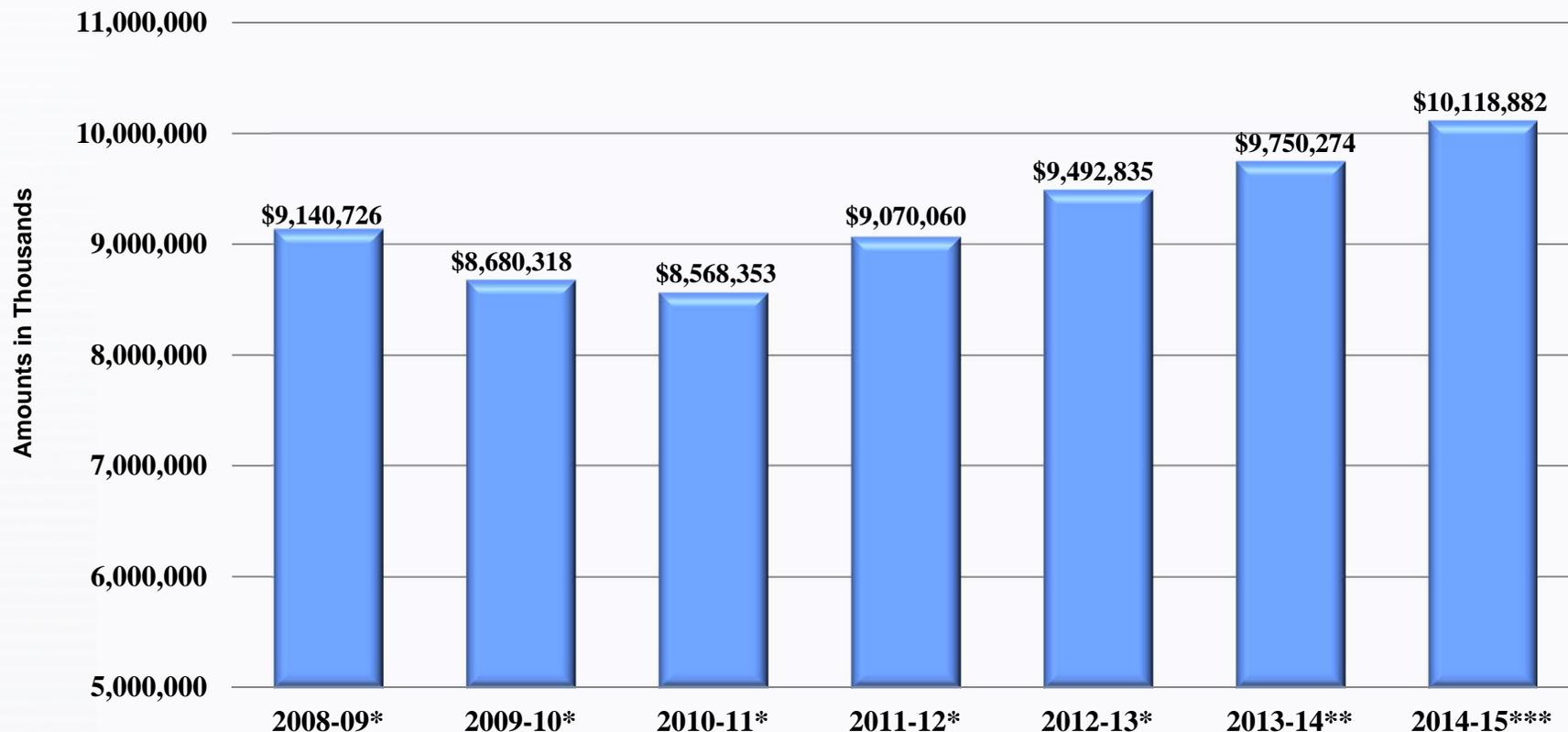
## *Ready to Learn* – Educational Excellence in Pennsylvania

The 2014-15 budget maintains current investments in the main elements of Governor Corbett's *Ready to Learn* agenda that is transforming Pennsylvania's public education system:

- **Educator Evaluation System** – to support high-quality, effective teachers in every classroom.
- **School Performance Profiles** – a web-based resource to parents and taxpayers to better understand the quality of schools in Pennsylvania.
- **Pennsylvania Core Standards and Keystone Exams** – standards are aligned with the Keystone exams to provide a clear and consistent framework to prepare students for college and the workforce.
- **Standards Align System** – provides evidence-based resources for educators focusing on curriculum, teaching strategies and career-bound information.

## State Support for Public Education

*Governor Corbett's 2014-15 budget proposal brings total direct state support of public education to a new all-time high of \$10.12 billion, a \$1.55 billion increase in support for public schools since 2010-11. The budget launches the next phase of the Ready to Learn agenda with new strategic investments across the entire continuum of public education.*



\*Actual \*\*Available \*\*\*Proposed

## *Ready to Learn* – Educational Excellence in Pennsylvania

### *~ Pre-K & Early Childhood Education ~*

#### **Pre-K Counts**

- \$10 million additional investment in Pre-K Counts, providing 1,670 additional pre-school age children with access to quality learning programs. These new dollars will build on the \$46.5 million in additional early childhood funding provided over the past three years that supports an additional 11,000 children.

#### **Early Learning Challenge Grant**

- \$51.7 million awarded Pennsylvania to be utilized over four years to support high-quality early education programs. The 2014-15 budget allocates \$15.8 million for OCDEL to provide resources both to increase the number of high-quality learning programs and to increase access in communities across Pennsylvania.

#### **Early Intervention**

- \$9.5 million increase to serve approximately 1,500 additional children from ages 3 to 5.

## *Ready to Learn* – Educational Excellence in Pennsylvania

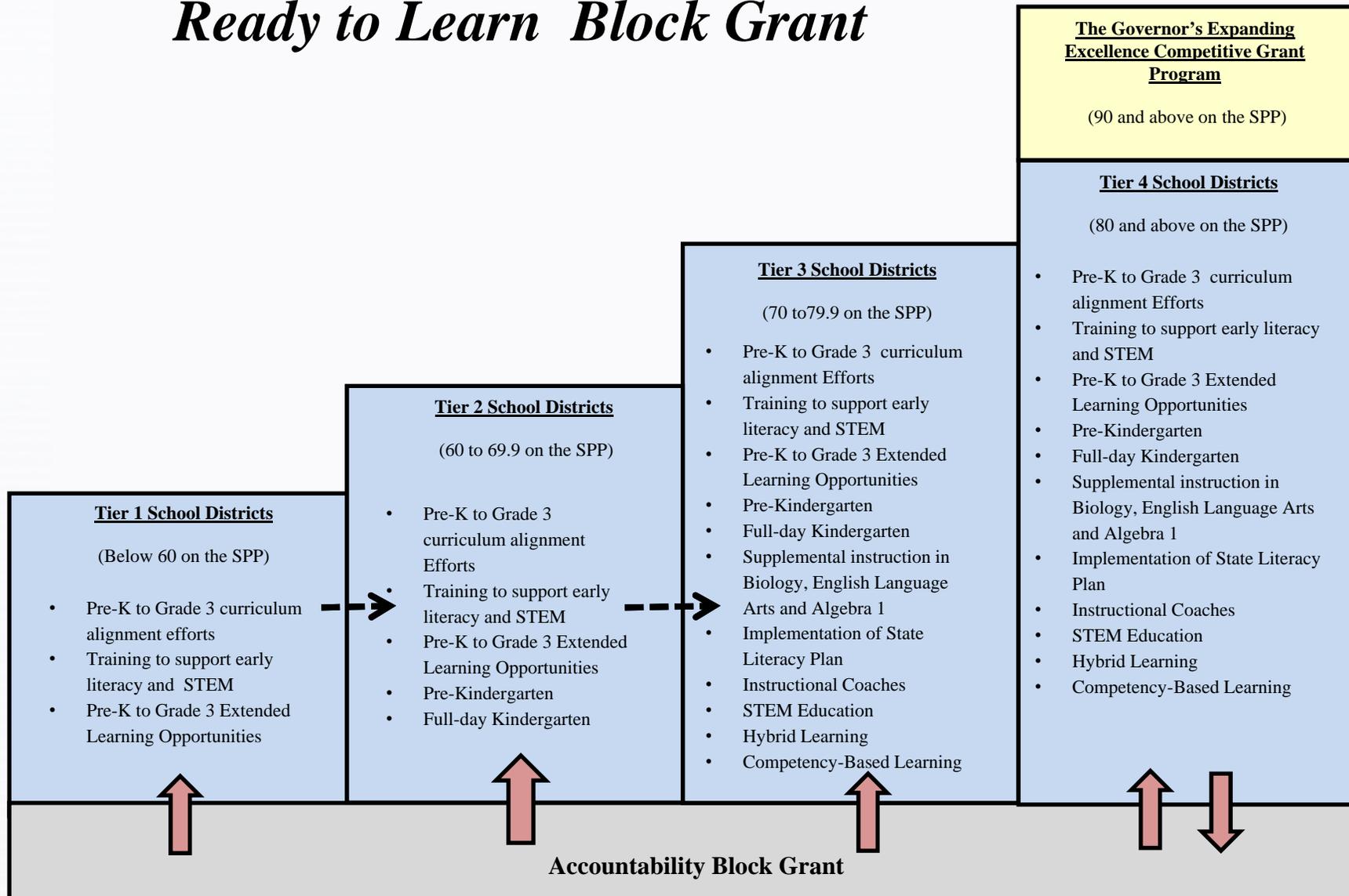
*The budget proposes \$341 million in funding to combine the successful Accountability Block Grant with the Ready to Learn Block Grant. School districts will receive the same Accountability Block Grant allocations and can use those funds for expanded purposes in the new Ready to Learn Block Grant.*

### ~ Kindergarten to Grade 12 ~

#### *Ready to Learn Block Grant*

- \$240 million in new Ready to Learn funding to ensure that students are reading and math ready by third grade, better train teachers to support early literacy and STEM, and enabled schools to provide extended instructional opportunities customized to student needs.
- \$100 million in continued Accountability Block Grant funding to support pre-kindergarten, kindergarten and other proven educational programs.
- \$1 million for the Governor's School-to-School Mentoring Grant program to provide competitive grants to high-performing school districts to support school-to-school mentoring designed to raise student achievement by replicating proven best practices in all Pennsylvania schools.

## Ready to Learn Block Grant



School districts in Tiers 1 and 2 may submit a waiver as part of their proposal to use for purposes described in Tiers 3 and 4.

## *Ready to Learn* – Educational Excellence in Pennsylvania

### **Supporting Students with Special Needs**

- \$20 million increase distributed to school districts through a weighted student funding formula based on the level of instructional support provided to special education students. The funding increase marks the first increase of state support for special education in six years.

### **Pennsylvania Hybrid Learning Initiative**

- \$10 million for competitive grants to support Pennsylvania educators in developing new educational strategies that apply technology to better customize classroom instruction and improve student performance. The funding will enable an additional 100 schools to utilize hybrid learning.

### *~ Post Secondary Education ~*

### ***Ready to Succeed Scholarships***

- \$25 million for *Ready to Succeed Scholarships* provided through the Pennsylvania Higher Education Assistance Agency to make post-secondary educational opportunities more affordable for middle-income families.

## Other Education Funding Changes

### **Governor's Schools of Academic Excellence**

- \$350,000 to support new Governor's Schools of Academic Excellence in three strategic areas of study: agricultural sciences, STEM (science, technology, engineering and math) education and engineering.

### **PA Assessment**

- \$4.6 million increase to support existing state and federally mandated assessments.

### **Public Libraries**

- \$500,000 increase to support Pennsylvania's public libraries.

### **Public School Employees' Retirement Systems (PSERS)**

- \$225 million transfer of private equity investments and cash reserves from the Tobacco Settlement Fund and Health Venture Investment Account to PSERS to support the General Fund appropriation.

### **Charter School Pension Double Payment**

- \$62.7 million in savings from the elimination of the charter school pension double payment.

## *Healthy Pennsylvania*

Governor Corbett unveiled *Healthy Pennsylvania*, a comprehensive plan to increase access to quality, affordable health care for all Pennsylvanians. Healthy Pennsylvania is focused on three key priorities: improving access, ensuring quality and providing affordability.



***The plan was endorsed by healthcare leaders such as Dr. C. Richard Schott, a practicing physician from suburban Philadelphia and president of the Pennsylvania Medical Society. "The Healthy Pennsylvania plan announced today by Governor Corbett recognizes the need to take positive actions to improve the health of all Pennsylvanians," Schott said. "The Pennsylvania Medical Society applauds the governor's plan and looks forward to continue working with him and other stakeholders to improve the health of all Pennsylvanians."***

## *Healthy Pennsylvania*

### Improving Access

**Get All Kids Insured:** Governor Corbett has increased funding to support enrollment and outreach efforts for the Children’s Health Insurance Program (CHIP), **with the goal of covering all children.** The plan also eliminated CHIP’s six-month waiting period, allowing all Pennsylvania children to have continued and timely access to CHIP coverage.

**Increase Access to Primary Health Care:** Pennsylvania will continue to increase access and better meet the primary care needs of all Pennsylvanians.

**Recruit and Retain Healthcare Professionals:** The governor enhanced support for loan forgiveness programs to train primary healthcare practitioners who, in return, will provide care in underserved areas.

**Harness Health Information Technology:** *Healthy Pennsylvania* will continue to promote greater use of health IT, including telemedicine and electronic health records, to bring high quality healthcare services to all Pennsylvanians.

### Ensuring Quality

**Combat Prescription Drug Abuse:** With prescription drug abuse on an alarming rise in Pennsylvania, *Healthy Pennsylvania* will work with the General Assembly to monitor and address the problem of prescription drug abuse.

**Supporting Older & Disabled Pennsylvanians:** A core component of *Healthy Pennsylvania* is developing a more effective and coordinated long-term care and support system for older and disabled Pennsylvanians. *Healthy Pennsylvania* will build on this year’s \$50 million increase for older and disabled Pennsylvanians and continue efforts to streamline services so that additional individuals may have access to home and community-based care.

**Promote Good Public Health:** From managing illness to promoting programs to keep kids and adults healthy in schools and communities, *Healthy Pennsylvania* supports public health efforts that improve the health of Pennsylvanians.

### Providing Affordability

**Rebuild and Reform Pennsylvania’s Medicaid Program:** The reforms include a realignment of benefit plans for adults, increased access to healthcare coverage, cost-sharing for adults, work search activities, and premium reductions for healthy behaviors/work.

Governor Corbett will not accept a Washington “one size fits all” approach for the Commonwealth and believes that reform is critical in order to protect and stabilize Pennsylvania’s Medicaid program for our neediest citizens.

**Continue to Reform PA’s Medical Liability System:** Last year Governor Corbett signed into law the “Apology Rule” for health care providers to allow them to express empathy for unforeseen outcomes without fear that their statements will be seen as an admission of error.

## *Healthy Pennsylvania* – Improving Access

### **Community Health Centers and Health Care Clinics**

- The budget doubles the investment made last year to provide a total of \$8 million to the Department of Health’s Community-Based Health Care program. The additional \$4 million will fund four new health care centers and clinics to increase access to preventative primary care services for uninsured individuals in underserved areas of the state.

### **Expanded Access to Primary Care Services in Rural and Underserved Areas**

- \$4 million increase to recruit and retain health care professionals to rural and underserved areas. The new dollars will support an additional 70 awards to physicians, dentists and other practitioners who commit to work in rural and underserved areas of Pennsylvania, and 12 additional residency slots for medical school graduates to address the shortage of primary care services in these areas.

### **Children’s Health Insurance Program**

- \$9 million increase to provide health insurance coverage for an additional 10,400 children.



## *Healthy Pennsylvania* – Ensuring Quality

### **Expanded Home and Community-Based Services for Older Pennsylvanians and Individuals with Physical Disabilities**

- Builds on 2013-14's investment of \$50 million with an increase investment of \$23.5 million in General and Lottery Funds to serve:
  - 1,764 additional older Pennsylvanians through the Medicaid Home and Community-Based Aging Waiver (\$11.6 million)
  - 800 additional individuals in the LIFE Program (\$9.4 million)
  - 500 additional individuals on the Options waiting list (\$1.1 million)
  - 204 additional individuals who transfer from the Department of Public Welfare's Attendant Care Program at age 60 (\$1.4 million)
- \$18 million to serve an additional 1,599 individuals with physical disabilities in community settings through the Services to Persons with Disabilities Waiver and the Attendant Care Waiver.



## *Healthy Pennsylvania* – Providing Affordability

### Reforming Pennsylvania's Medicaid Program

- \$125.4 million in savings from the implementation of Governor Corbett's Healthy PA plan which includes reforms to Pennsylvania's Medicaid program and the implementation of the Private Coverage Option within the *Healthy Pennsylvania* Medicaid waiver.
- The budget assumes approval of Pennsylvania's *Health Pennsylvania* Medicaid waiver by the federal government.



## *ACA & Healthy Pennsylvania Fiscal Impact*

*The costs of the Affordable Care Act exceed savings from the Healthy Pennsylvania reforms.*

(Dollar amounts in thousands)

	<b>FY 2014-15 State Funds</b>	<b>FY 2015-16 State Funds</b>
Affordable Care Act	\$218,954	\$331,047
Healthy PA	(\$125,405)	(\$616,397)
Administrative Costs	<u>\$39,751</u>	<u>\$38,091</u>
<b>Total</b>	<b>\$133,300</b>	<b>(\$247,259)</b>

**Note:** In addition to the Department of Public Welfare costs shown above, the Affordable Care Act is also imposing additional costs on the budget through increased costs to the Pennsylvania Public Employees Benefit Trust Fund by \$30.2 million in 2013 and \$79 million in 2014.

## Enhancing Human Services

### **Domestic Violence**

- \$1.4 million (10%) increase for Domestic Violence programs and services.

### **Rape Crisis**

- \$800,000 (10%) increase to expand Rape Crisis programs and services.

### **Child Care Services Waiting List Initiative**

- \$15 million in increased federal funds to reduce the waiting list for child care services for an additional 2,895 children of low-income families.

### **Child Advocacy Centers**

- \$2 million for operational support and expansion.

### **Child Protective Services Enhancements**

- \$9.8 million to provide a single access point to collect, coordinate and report child abuse and neglect cases. This infrastructure investments supports the Pennsylvania Task Force on Child Protection recommendations.

## Enhancing Human Services & FMAP

### Expanded Home & Community-Based Services for Individuals with Intellectual Disabilities

- \$22.4 million for 1,100 individuals with intellectual disabilities, including 400 people on the waiting list and 700 students graduating from Special Education;
- \$1.1 million to serve 100 adults with autism spectrum disorders;
- \$700,000 for 50 individuals currently residing in state intellectual disabilities centers; and
- \$4.7 million to serve 90 individuals currently residing in state mental hospitals.

### Balancing Incentive

- \$75.3 million in savings through increased federal financial participation for Balancing Incentive program.

### FMAP Reduction

- The budget reflects the reduction in the Federal Medical Assistance Percentage (FMAP) for federal financial participation from 53.52 percent to 51.82 percent (a 1.7 percent decline), increasing state costs by \$340.8 million. Impacted agencies include the Department of Public Welfare, Education, Insurance and Military and Veterans Affairs.

# Redesigning State Government

*~ Pension Reform ~*

*~ Fiscal Discipline ~*

*~ Limited, Efficient Government ~*

## Pension Reform

**Unsustainable Cost Increases:** Absent pension reform, contributions to the pension systems – PSERS and SERS – are expected to increase by more than \$600 million in 2014-15 and continue to rise significantly crowding out core services and programs.

**Pension Reform Goals and Objectives:** Governor Corbett renews his charge to the General Assembly to enact pension reform. Reform must:

- ~ Protect retirees and the benefits earned by current employees;
- ~ Significantly reduce future risk to taxpayers;
- ~ Provide near-term budget relief to the General Fund and local school districts from steep cost increases paid for by long-term savings generated by reform;
- ~ Address the impact of the unfunded liability on school districts; and
- ~ Achieve these goals without “kicking the can down the road” by pushing more debt onto future generations of Pennsylvanians.

**Pension Collars:** The budget assumes pension collars are reduced to 2.25 percent and then increase by 0.5 percent per year until the collars reach 4.5 percent or the annual required contribution. Reset the pension collars saves the commonwealth \$170 million, and school districts and other local education agencies \$131 million.

## Fiscal Discipline in the 2014-15 Budget

### Administrative Spending Reductions

- Administrative spending down 10 percent since 2010-11.

### Reduced Staffing Levels

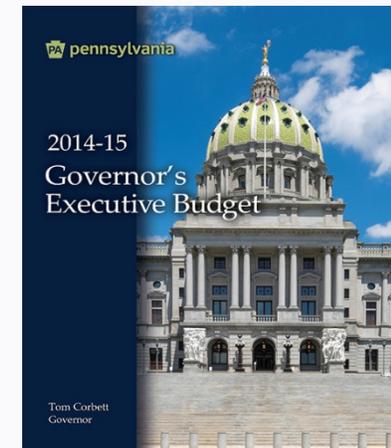
- Decline of more than 3,000 positions, or nearly 4 percent.

### State Complement

- Overall state complement increases by 140 positions largely due to 720 new positions to implement the federal Affordable Care Act. Excluding ACA-driven positions, the budget eliminates nearly 600 other positions.

### Improved Debt Management

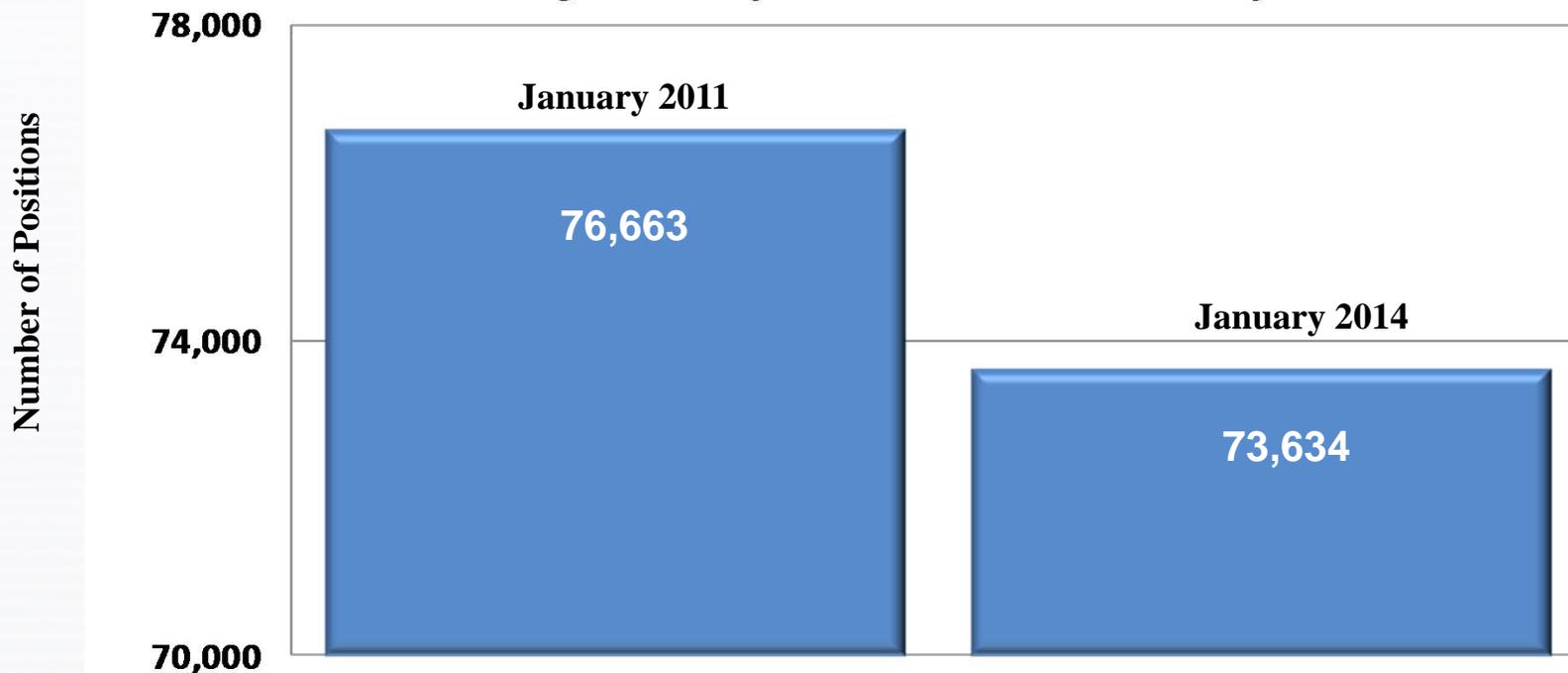
- The budget maintains capital funding at 2012-13 levels and the implements reforms to the Redevelopment Assistance Capital Program and Act 77 requirements to provide greater transparency and limits on the growth of new debt.



## Reductions in Staffing Levels

*Since Governor Corbett took office in January 2011, filled staffing levels have declined by more than 3,000 positions, or nearly 4 percent. Additionally, the Corbett administration has implemented significant reforms to the commonwealth's fleet and travel programs to enhance program accountability and reduce costs.*

**Reducing the Size of the Commonwealth's Workforce**



## Limited and Efficient Government

*The 2014-15 budget continues to streamline government through the Governor's Innovation Initiative and the consolidation or realignment of programs and agencies for greater synergies.*

### *Governor's Innovation Initiative*

- More than 200 completed initiatives producing \$465 million in total savings, cost avoidance and productivity gains and over 195 active initiatives in progress. Key projects for 2014-15 include streamlining print, imaging, and mail operations and electronic grants processing.

### **Department of General Services**

- Vehicle fleet efficiencies have saved an estimated \$45 million since implementation and reduced the fleet by more than 1,800 vehicles – a 20 percent decrease.

### **Department of Public Welfare**

- A telephone hotline launched to streamline administrative hearings saved \$1.5 million in its first year of operation.

## Veterans Programs and Juvenile Justice

### Department of Military and Veterans Affairs

- \$1 million transfer to the Veterans Trust Fund to expand services to veterans in need of assistance. The Trust Fund is also expected to receive an estimated \$330,000 from special plate fees and registration check-offs.



### Juvenile Justice Reinvestment Initiative

- \$4.5 million in increased funding (\$2.5 million to the Juvenile Court Judges' Commission and \$2 million to the Pennsylvania Commission on Crime and Delinquency) to expand evidenced-based violence prevention and intervention programs targeted at reducing recidivism for high-risk juvenile offenders.

## Public Safety

### Pennsylvania State Police

- \$13.7 million to fund four new cadet classes and 350 new troopers.

### Department of Corrections

- \$72.3 million increase for contractual salary and benefit costs.
- \$10 million to enhance treatment of inmates with serious mental illness.
- \$8.1 million to fund the Corrections and Parole Total Offender Repository (CAPTOR) information system.
- \$10 million in savings through the use of rebates from the *Special Pharmaceutical Benefits Program* to mitigate the cost of AIDS treatment for inmates.

### Board of Probation and Parole

- \$2.5 million for 34 additional parole agents and staff to maintain caseload levels and support an additional position in the Victims Assistance program.

## Enhance Penn's Woods

*The budget proposes a two-year, \$211 million initiative to invest in statewide parks and forestry infrastructure. This funding includes existing Department of Conservation and Natural Resources revenue streams, such as Environmental Stewardship Fund, Keystone Parks and Recreation Funds, Oil and Gas Lease Funds and the department's annual capital allocation.*

*In addition, the initiative includes a special allocation of \$45 million from the Growing Greener II Bond Fund. Because of premiums earned on bond issuances and accrued interest, this additional funding is available to support this initiative.*

### Enhance Penn's Woods Revenue Sources

	2013-14	2014-15	Total
Environmental Stewardship Fund	\$ 705	\$ 6,627	\$ 7,332
Keystone Parks and Recreation Fund	17,243	18,252	35,495
Oil and Gas Lease Funds	4,925	4,925	9,850
Dirt and Gravel Roads (MLF)	1,000	7,000	8,000
Forestry Bridge Account (MLF)	5,077	7,461	12,538
Purchase of State Forest Land (Restricted Acct.)	2,680	681	3,361
Snowmobile/ATV (Restricted Acct.)	3,492	3,492	6,984
Capital Allocation	25,782	56,950	82,732
Growing Greener II Bond Fund – Special Allocation	0	45,000	45,000
<b>Total</b>	<b>\$60,904</b>	<b>\$150,388</b>	<b>\$211,292</b>

# Commonwealth of Pennsylvania

# 2014-15 Executive Budget

**Tom Corbett**  
*Governor*

**Charles B. Zogby**  
*Secretary of the Budget*

**February 4, 2014**