



2020/21 Stop-Gap Budget

Given the uncertainty regarding both expenditures, state revenues and federal support, the General Assembly enacted a five month stop-gap budget for the 2020/21 fiscal year. In most cases, funding is provided for five months at the same level as in 2019/20. There are occasions where the budget deviates from the general rule as detailed in this document.

The administration projects that revenue collections over the two-year period for the 2019/20 and 2020/21 fiscal years will be more than \$6 billion below estimate, given the impacts of COVID-19. We estimate that the commonwealth will end the current fiscal year with a negative ending balance of \$3 billion, which will be carried into 2020/21.

The stop-gap budget for 2020/21 spends \$25.8 billion leaving just over \$4 billion in available funds. In November, we will need to find an additional \$5.5 billion to fund a barebones budget for the rest of the fiscal year.

Level funding has implications. It fails to account for increased costs in goods and services procured or for contracted personnel increases. The administration will be forced to address these shortfalls through cuts, hiring freezes and other administrative tools. No initiatives proposed in February in the governor’s executive budget are funded.

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Education

In the enacted 2020/21 budget, many education appropriations, including the major state subsidies for school districts, receive level funding compared to 2019/20.

The 2020/21 budget package hits pause on the bipartisan fair funding formulas for basic and special education. House Bill 1210, the school code that accompanies the budget, specifies that each school district will receive the same amount in 2020/21 that it received in 2019/20. Under current law and as adopted, the fair funding formulas use annually updated student enrollment and relative wealth data reported by school districts and collected by the Census to make data-driven determinations to allocate funds equitably, predictably, and transparently. Reinstating hold-harmless, even if only for one extraordinary year, is a dangerous precedent, as it repeats the mistakes of the past that led to one of the most inequitable funding systems in the country. In fact, the bipartisan and bicameral Basic Education Funding Commission unanimously recommended “that any new funding driven out through the formula approved in this report should not be subject to hold harmless” (BEFC Final Report, p. 68).

Two appropriations receive an increase relative to 2019/20:

- PSERS – a \$74 million, or 2.8 percent, increase to cover the actuarially required contribution
- Pupil Transportation – a \$157 million, or 28.6 percent, supplemental increase for 2019/20 to backfill underpayments from prior years, and for 2020/21, a \$62.9, or 11.5 percent, increase compared to the enacted 2019/20 level to right-size the appropriation going forward

The school code, House Bill 1210, also repurposed the School Safety and Security Fund to provide COVID-19 Disaster Emergency School Health and Safety Grants for 2020/21. These funds may be used for cleaning products, training staff on minimizing the spread of infectious disease, purchasing equipment (including PPE, thermometers, infrared cameras, and other necessary items), modifying areas to effectuate social distancing, providing mental health services and supports, purchasing educational technology, and other health and safety programs. Overall, almost \$215 million is available from the following sources:

- \$150 million from the Coronavirus Relief Fund (appropriated in Senate Bill 1108)
- \$49.8 million from the State Education Agency portion of the Elementary and Secondary School Emergency Relief Fund (appropriated in House Bill 2387 and earmarked in House Bill 1083)
- \$15 million from the existing transfer from the Judicial Computer System Augmentation Account

The COVID-19 Disaster Emergency School Health and Safety Grants will be distributed as follows:

- Each school district will receive \$120,000 plus an estimated \$67 per student
- Each charter school, intermediate unit, and area career and technical school will receive \$90,000
- \$7.5 million is available for nonpublic schools to apply for \$10,000 maximum grants
- \$7.5 million is available for the existing Community Violence grant program



Act 1A, the General Appropriations Act for 2020/21, appropriated the \$471 million for local education agencies from the federal Elementary and Secondary School Emergency Relief Fund. The application window for these funds opened in May 2020 and funds should be distributed to school districts and charter schools beginning in June 2020. Act 1A also appropriated the \$104.7 million from the federal Governor's Emergency Education Relief Fund, which the legislature did not direct to any specific program. Finally, House Bill 2510 and Senate Bill 1108 specified \$7 million in federal relief for Pre-K Counts and \$2 million for Head Start Supplemental Assistance.

Higher Education

Higher education is level funded in the budget, including support for public institutions like community colleges, the Pennsylvania State System of Higher Education, state-related universities and the Thaddeus Stevens College of Technology. PHEAA programs receive flat funding as well, including the State Grant Program to provide need-based aid to students.

In addition to the level state funding, the General Assembly appropriated federal Coronavirus Relief Fund dollars to support higher education:

- \$30 million for PASSHE universities, distributed based on fall 2019 headcount enrollment
- \$30 million for PHEAA grants, increasing the maximum grant award to \$4,525 (previously \$4,123)
- \$5 million for institutional assistance grants to support private colleges and universities
- \$5 million for the Act 101 program, which provides grants to schools for services to academically at-risk students from economically disadvantaged backgrounds seeking an undergraduate degree
- \$2.2 million in federal funds for a new debt relief program. These resources will provide an interest forbearance program for PHEAA-owned private loans for Pennsylvania borrowers not in default. Eligible borrowers will automatically be placed into forbearance until September 30, 2020.

Pensions

The commonwealth's payment, or actuarially required contribution (ARC), to the Pennsylvania School Employees Retirement System (PSEERS) was fully funded for the upcoming fiscal year. This appropriation totals \$2.702 billion, an increase of \$74 million over the 2019/20 fiscal year. This increase amounted to only 2.8 percent, the smallest percentage increase in several years.

There is no single appropriation for the state's contributions to the State Employees Retirement System (SERS), as these payments are included in the general government operations appropriations for the various agencies who employ SERS members. As such, the budget currently only funds approximately five-twelfths of the ARC for SERS. While it is expected that the remainder of the ARC will be paid throughout the year, the full contribution has not yet been appropriated. Contributions for the year are expected to total approximately \$2.227 billion.

Health

The local health departments' primary source of state funding is level funded at 2019/20, as proposed by the governor, and a full 12 months of funding are included. Except in cases where the governor proposed a reduction, the remaining programs, including the local health department environmental funding, is included at five-twelfths of 2019/20 levels. In cases of a proposed reduction by the governor, five-twelfths of the governor's proposed reduced amount is included.

The companion Fiscal Code, House Bill 1083, enacts Tobacco distributions in the same percentage at 2019/20, raises the calendar year cap of funds that can be retained by local registrars for the issuance of death certificates from \$60,000 to \$85,000, and provides direction on issuance of medical marijuana grower/processor permits should a licensee's permit become available for a number of reasons. The Fiscal Code also directs legislative initiatives at five-twelfths of the 2019/20 amounts. New in the Fiscal Code this year is language that directs the department to distribute hemophilia, sickle cell anemia, adult cystic fibrosis, Cooley's anemia and children with special needs funds in the same proportion as 2019/20. The department had planned to issue a competitive procurement for the distribution of these funds.



The COVID funding bill, Senate Bill 1108, and companion Fiscal Code, House Bill 2510, allocate from the Coronavirus Relief Fund \$10 million to Community-Based Health Care Centers and \$10 million for vaccine, treatment and therapy development in qualified biotech.

Human Services

In general, DHS programs for 2020/21 are funded at the governor's recommended amount, minus governor's initiatives, plus legislative initiatives, reduced to five-twelfths. Exceptions are outlined in the bulleted list below. Two of the most notable initiatives not funded are the waitlist initiative to serve 732 individuals on the intellectual disability/autism waiting list and the proposed \$3 million to provide continued access to reproductive healthcare.

State appropriations that earn federal Medical Assistance percentage (FMAP) have been reduced in 2019/20 by the amount expected to be earned from the 6.2 percent enhanced FMAP provided for in the Families First Coronavirus Relief Act. This allows for the full funding of DHS' 2019/20 need as outlined in the governor's proposed budget, including the \$308 million proposed to roll to 2020/21, without the need for supplemental appropriations. The enhanced 6.2 percent FMAP is only assumed in 2020/21 for the Capitation appropriation.

Programs funded at something other than five-twelfths of governor's executive budget proposal:

- Capitation – after adjusting the proposed budget down by the costs proposed to roll to 2020/21, now funded in 2019/20, and shifting the assumed collection of \$200 million from the Joint Underwriting Association (JUA) from 2019/20 to 2020/21, the Capitation appropriation appears fully funded with one exception – the assumed savings from minimum wage of \$20 million was not replaced.
- Critical Access Hospitals – although only funded for a portion of the year, it appears the intent is to ultimately increase the line by \$810,000 in 2020/21.
- Autism Intervention and Services – although only funded for a portion of the year, it appears the intent is to ultimately increase the line by \$1.4 million in 2020/21.
- County Child Welfare – after adjusting the proposed budget down by \$1.5 million made available in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the appropriation is funded at 87.5 percent. This is the funding level needed to issue county allocations timely.

There are two main issues to be aware of regarding cash flow.

- Several DHS appropriations rely heavily on provider assessments. The enacted budget assumes equal receipt of provider assessment revenues throughout the year when most assessments are actually received in the second half of the fiscal year. This will cause a cash shortfall in several appropriations.
- Many state funded and county administered programs, such as mental health services, intellectual disabilities, behavioral health services, homeless assistance, early intervention and human services development fund provide advances to counties. As of November 30, DHS would normally have provided 50 percent of the enacted funding for these programs and the budget being deliberated would only allow for 41.7 percent of the annualized funding to be provided. The same is true for several grant programs including: rape crisis, domestic violence, legal services, and breast cancer screening.

Administrative and state owned facilities appropriations are funded at five-twelfths of the 2019/20 levels. This will be problematic in the lines that fund county assistance offices, work supports, mental health services and the state centers for individuals with intellectual disabilities, as collectively these lines relied on \$78.5 million in one-time prior year federal earnings in 2019/20. This amount was not replaced in the 2020/21 budget.

The companion Fiscal Code, House Bill 1083, reauthorizes the Managed Care Assessment for another five years, until June 30, 2025. The value of the assessment to the DHS Medical Assistance budget is over \$1.1 billion annually. Most other Fiscal Code direction is the same as 2019/20 and most legislative initiatives are included at five-twelfths of 2019/20 amounts. New in the Fiscal Code this year is language that directs the department to continue the PA WorkWear program in 2020/21. The department had planned to discontinue the program.



The COVID funding bill, Senate Bill 1108, and companion Fiscal Code, House Bill 2510, allocates from the Coronavirus Relief Fund \$692 million to long-term living providers including:

- \$175 million for newly created health collaboratives to assist nursing facilities, assisted living residences, and personal care homes
- [\\$245 million for nursing facilities](#)
- \$140 million for personal assistance services
- [\\$50 million for assisted living residences and personal care homes](#)
- \$13 million for adult day care services
- \$8 million for high volume ventilator and tracheostomy providers
- \$1 million for residential habilitation providers
- \$50 million for Community HealthChoices managed care organizations
- \$10 million for Living Independence for the Elderly (LIFE) providers

In addition, the COVID bills provide \$260 million for providers of services to individuals with intellectual disabilities and autism, \$10 million for critical access hospitals, \$10 million for domestic violence programs, \$10 million for homeless assistance programs, and \$8 million for legal assistance.

General Obligation Debt Service

The budget appropriates the full amount requested by the governor's executive budget proposal for general obligation debt service. Under normal circumstances, the General Fund pays a little bit more than 85 percent of the total costs for general obligation bonds. Special funds also help pay for debt service; for example, the Motor License Fund for highway and bridge capital project debt, and the Environmental Stewardship Fund for the voter-approved Growing Greener bonds.

The Gaming Economic Development and Tourism Fund (GEDTF) contributes toward debt service costs for several facilities in the commonwealth. Like other gaming-funding programs, the GEDTF will experience reduced revenues due to the closure of casinos during the shutdown. For 2019/20, the general fund debt service appropriation will cover a portion of the GEDTF debt service. The General Assembly may need to revise the general obligation debt service to cover any shortfall from this funding source.

Property Tax Relief

Property tax relief has been funded by casino gaming revenues at the same level each year since it began in 2008/09. The Pennsylvania Gaming Control Board ordered all casinos to suspend operations on March 17, 2020. It is currently unknown when casinos will reopen; however, when they do reopen there will be significant changes to allow for social distancing. Therefore, it is estimated that gaming operations could be reduced by 40 to 60 percent for some time going forward. With such a strain on revenues supporting property tax relief, current estimates show insufficient funds to make the full payment to homeowners.

However, homeowners will receive the full amount of property tax relief (and wage tax relief in Philadelphia). In the fiscal code, the budget secretary has been given the authority to transfer up to \$300 million from the COVID-19 Response Restricted Account (federal CARES Coronavirus Relief Act dollars). The Property Tax/Rent Rebate program will be fully funded by currently available gaming and lottery revenues.

Agriculture

The Department of Agriculture's state General Fund budget, included in Act 1A (House Bill 2387), represents five-twelfths of the 2019/20 enacted budget.

Incorporated within the budget is funding for a number of appropriations traditionally eliminated in the governor's 2020/21 proposal. Also included within the General Fund is funding for Livestock & Consumer Health Protection and Animal Diagnostic & Health Commission at five-twelfths of 2019/20 funding.

The State Food Purchase Program (SFPP), within Act 1A (House Bill 2387), is level funded to the 2019/20 amount. SFPP's \$19.68 million allocation includes up to \$1.5 million for the Pennsylvania Agricultural Surplus System (PASS), up to \$1 million for TEFAP, and up to \$500,000 for TEFAP distribution. Excluded from the bill is the



proposed additional funding for PASS, which was included in 2020/21 executive budget proposal. As part of the Emergency COVID-19 Response, Act 2A (Senate Bill 1108), includes \$20 million in additional supplemental funding for the program. \$5 million of that funding is allocated to the PASS program.

Additionally incorporated in the bill is the newly created Dairy Assistance program. The program would provide funding to dairy farmers who have experienced a loss during the governor's Disaster Declaration, as a result of the need to discard excess milk. As part of the CARES Act funding for COVID-19 response, Act 2A (Senate Bill 1108) provides \$20 million for the Dairy Assistance program. Act 24 allocates \$5 million of that amount for Dairy Assistance, administered by PASS.

As part of the supplemental Federal appropriations, Act 1A provides an additional \$10 million for Emergency Food Assistance and \$9.4 million for COVID – Emergency Food Assistance.

Food Assistance Funding				
(amounts in thousands)				
Funding Type		Supplemental		GAA
Bill		HB 2387	SB 1108*	HB 2387
Source	Program	2019/20	2019/20	2020/21
State	<i>Farmers' Market Food Coupons</i>			\$ 2,079
Federal	<i>Farmers' Market Food Coupons</i>			\$ 3,500
Federal	<i>COVID - Emergency Food Assistance</i>	\$ 9,400		
Federal	<i>COVID - Relief Food Access Initiative</i>		\$ 10,000	
State	<i>State Food Purchase Program</i>		\$ 15,000	
	<i>Pennsylvania Agricultural Surplus System</i>		\$ 5,000	
State	<i>State Food Purchase Program</i>			\$ 19,688
State	<i>Dairy Assistance</i>		\$ 15,000	
	<i>Pennsylvania Agricultural Surplus System</i>		\$ 5,000	
COMBINED TOTAL		\$ 20,900	\$ 50,000	\$ 38,967
		\$	\$	109,867

*SB 1108 appropriates CARES Act funds, which shall not lapse

Environmental Protection

By and large, assuming annualization of the Department of Environmental Protection's (DEP) state appropriations, the 2020/21 budget is level funded to 2019/20 amounts. Funded in part through utilization of environmental funds in 2019/20, DEP's General Government Operations, Environmental Protection Operations, and Environmental Program Management appropriations, are entirely funded through the General Fund in 2020/21. The proposal to increase the tipping fee, part of the 2020/21 executive budget proposal, was not included as part of final passage of the 2020/21 budget or the Fiscal Code.

Funding Source	Gen Gov't Oper		Env Protection Oper		Env Program Mgmt	
	2019/20	2020/21*	2019/20	2020/21*	2019/20	2020/21*
General Fund	\$ 13,469	\$ 15,279	\$ 84,523	\$ 95,969	\$ 28,420	\$ 32,613
Env Stewardship Fund	\$ 773		\$ 4,886		\$ 1,790	
Recycling Fund	\$ 1,037		\$ 6,560		\$ 2,403	
TOTALS	\$ 15,279	\$ 15,279	\$ 95,969	\$ 95,969	\$ 32,613	\$ 32,613

* Funding represents annualization of 2020/21 General Fund appropriations



HB 2387 DEP State General Fund

(amounts in thousands)

Appropriation	Actual	Available ⁽¹⁾	HB 2387	Annualized	Annualized less Available	
	2018/19	2019/20	2020/21	2020/21	\$ Chng	% Chng
General Government Operations	\$ 17,143	\$ 13,469	\$ 6,366	\$ 15,278	\$ 1,809	13.4%
Environmental Program Management	\$ 30,932	\$ 28,420	\$ 13,589	\$ 32,614	\$ 4,194	14.8%
Environmental Protection Operations	\$ 93,190	\$ 84,523	\$ 39,987	\$ 95,969	\$ 11,446	13.5%
Transfer to Conservation District Fund	\$ 2,506	\$ -	\$ 1,044	\$ 2,506	\$ 2,506	
Chesapeake Bay Agricultural Source Abatement	\$ 2,670	\$ -	\$ 1,239	\$ 2,974	\$ 2,974	
Black Fly Control and Research	\$ 3,357	\$ 3,357	\$ 1,399	\$ 3,357	\$ -	
West Nile Virus Control	\$ 5,378	\$ 5,378	\$ 2,241	\$ 5,378	\$ -	
Delaware River Master	\$ 38	\$ -	\$ 16	\$ 38	\$ 38	
Susquehanna River Basin Commission	\$ 237	\$ -	\$ 86	\$ 206	\$ 206	
Interstate Commission on the Potomac River	\$ 23	\$ -	\$ 10	\$ 23	\$ 23	
Delaware River Basin Commission	\$ 217	\$ -	\$ 90	\$ 217	\$ 217	
Ohio River Valley Water Sanitation Commission	\$ 68	\$ -	\$ 28	\$ 68	\$ 68	
Chesapeake Bay Commission	\$ 275	\$ -	\$ 125	\$ 300	\$ 300	
Interstate Mining Commission	\$ 15	\$ -	\$ 6	\$ 15	\$ 15	
Total	\$156,049	\$ 135,147	\$ 66,226	\$ 158,943	\$ 23,796	17.6%
Environmental Hearing Board	\$ 2,490	\$ 2,574	\$ 1,073	\$ 2,574	\$ -	0.0%
STATE GENERAL FUND TOTAL	\$158,539	\$ 137,721	\$ 67,299	\$ 161,517	\$ 23,796	17.3%

⁽¹⁾ 2019/20 Water/Mining Commissions and Chesapeake Bay Agr. Source Abatement funded through Env Stewardship Fund

Funding for Water/Mining Commissions for 2020/21 is also contained within the General Fund, and unfortunately, for the most part, they are not funded to their fair share.

Appropriation	ESF*	GF**
	2019/20	2020/21
Delaware River Master	\$ 38	\$ 38
Susquehanna River Basin Commission	\$ 205	\$ 205
Interstate Commission on the Potomac River	\$ 23	\$ 23
Delaware River Basin Commission	\$ 217	\$ 217
Ohio River Valley Water Sanitation Commission	\$ 68	\$ 68
Chesapeake Bay Commission	\$ 300	\$ 300
Interstate Mining Commission	\$ 15	\$ 15
	\$ 866	\$ 866

* Environmental Stewardship Fund appropriations

** Funding represents annualization of 2020/21 General Fund appropriations



Conservation and Natural Resources

2020/21 DCNR GF/OGLF Funding						
(dollar amounts in thousands)						
	Actual	Available	HB 2387	Annualized	Annualized less Available	
GF Appropriation	2018/19	2019/20	2020/21	2020/21*	\$ Chng	% Chng
General Government Operations	\$ 23,423	\$ 25,804	\$ 11,060	\$ 26,544	\$ 740	2.9%
State Parks Operations	\$ 56,185	\$ 55,311	\$ 27,276	\$ 65,462	\$ 10,151	18.4%
State Forests Operations	\$ 29,184	\$ 25,742	\$ 14,927	\$ 35,825	\$ 10,083	39.2%
Heritage and Other Parks	\$ 3,025	\$ 1,025	\$ 1,365	\$ 3,276	\$ 2,251	219.6%
Annual Fixed Charges (aggregate)	\$ 8,336	\$ 8,396	\$ 8,400	\$ 8,400	\$ 4	0.0%
State Parks Infrastructure Projects	\$ 2,500	\$ 900	\$ 375	\$ 900	\$ -	0.0%
GF Total	\$ 122,653	\$ 117,178	\$ 63,403	\$ 140,407	\$ 23,229	19.8%
OGLF Appropriation	2018/19	2019/20	2020/21	2020/21	\$ Chng	% Chng
State Parks Operations (OGLF)	\$ 7,555	\$ 17,706	\$ 20,000	\$ 20,000	\$ 2,294	13%
State Forest Operations	\$ 4,198	\$ 14,282	\$ 20,000	\$ 20,000	\$ 5,718	40%
General Government Operations (OGLF)	\$ 37,045	\$ 37,786	\$ 14,827	\$ 14,827	\$ (22,959)	-61%
OGLF Total	\$ 48,798	\$ 69,774	\$ 54,827	\$ 54,827	\$ (14,947)	-21%
DCNR GF & OGLF	\$ 171,451	\$ 186,952	\$ 118,230	\$ 195,234	\$ 8,282	4%

* Funding represents annualization of 2020/21 General Fund appropriations

In keeping with the status-quo, assuming annualization of state General Fund appropriations, the Department of Conservation and Natural Resources' 2020/21 budget largely represents level funding to 2019/20 enacted budget amounts. Of interest is the shift of additional General Fund support in lieu of Oil & Gas Lease Fund (OGLF) utilization.

To highlight the reduction in use of OGLF, the tables that follow show use of different funding sources as it relates to General Government Operations, State Parks & State Forests Operations.

General Gov't Operations					
	Available	HB 2387	Annualized	Annualized less Available	
Funding Source	2019/20	2020/21	2020/21*	\$ Δ	% Δ
GF	\$ 25,804	\$ 11,060	\$ 26,544	\$ 740	2.9%
OGLF	\$ 37,786		\$ 14,827	\$ (22,959)	-60.8%
TOTAL	\$ 63,590	\$ 11,060	\$ 41,371	\$ (22,219)	-34.9%

* Funding represents annualization of 2020/21 General Fund appropriations

State Parks Operations					
	Available	HB 2387	Annualized	Annualized less Available	
Funding Source	2019/20	2020/21	2020/21*	\$ Δ	% Δ
GF	\$ 55,311	\$ 27,276	\$ 65,462	\$ 10,151	18.4%
OGLF	\$ 17,706		\$ 20,000	\$ 2,294	13.0%
TOTAL	\$ 73,017	\$ 27,276	\$ 85,462	\$ 12,445	17.0%

* Funding represents annualization of 2020/21 General Fund appropriations



State Forests Operations					
	Available	HB 2387	Annualized	Annualized less Available	
Funding Source	2019/20	2020/21	2020/21*	\$ Δ	% Δ
GF	\$ 25,742	\$ 14,927	\$ 35,825	\$ 10,083	39.2%
OGLF	\$ 14,282		\$ 20,000	\$ 5,718	40.0%
TOTAL	\$ 40,024	\$ 14,927	\$ 55,825	\$ 15,801	39.5%

* Funding represents annualization of 2020/21 General Fund appropriations

Transportation

PennDOT's 2020/21 budget theme is consistent with the overall budget approach. Voter Registration and Vehicle Sales Tax appropriations are funded at five-twelfths of the 2019/20 enacted budget. Annualizing the department's 2020/21 budget would reveal that PennDOT's GF appropriations are level funded to 2019/20. Additionally, Act 1A (House Bill 2387), provides \$81 million for COVID-FTA Non-Urbanized Formula supplemental federal funding for 2019/20.

Given the current pandemic and the resulting decrease in expected Motor License Fund (MLF) revenues, there are a number of significant reductions as it relates to State & Local Highway/Bridge programs. Most notably, the Highway Safety & Improvement appropriation has been reduced by \$145 million. Please refer to the table that follows, which represents Act 1A MLF State Appropriations.

HB 2387 MLF PENNDOT STATE APPROPRIATIONS					
		Available	HB 2387	HB 2387 less Available	
Appropriation		2019/20	2020/21	\$ Δ	% Δ
General Government Operations					
GGO		\$ 62,421	\$ 63,900	\$ 1,479	2.4%
Welcome Centers		\$ 4,115	\$ 4,115	\$ -	0.0%
General Gov't Operations Subtotal		\$ 66,536	\$ 68,015	\$ 1,479	2.2%
Safety Administration & Licensing					
Driver and Vehicle Services		\$ 186,403	\$ 208,403	\$ 22,000	11.8%
Homeland Security - Real ID		\$ 29,599	\$ 25,901	\$ (3,698)	-12.5%
Safety Admin & Licensing Subtotal		\$ 216,002	\$ 234,304	\$ 18,302	8.5%
State & Local Hwy/Bridge					
Highway Safety & Improvement		\$ 190,000	\$ 45,000	\$ (145,000)	-76.3%
Highway Maintenance		\$ 882,054	\$ 840,546	\$ (41,508)	-4.7%
Highway Systems Technology & Innovation		\$ 16,000	\$ 16,000	\$ -	0.0%
Reinvestment - Facilities		\$ 16,000	\$ 5,000	\$ (11,000)	-68.8%
Municipal Roads and Bridges		\$ 30,000	\$ 30,000	\$ -	0.0%
Local Road Maintenance & Constr Pmts		\$ 253,576	\$ 239,816	\$ (13,760)	-5.4%
Supplemental Local Rd Maintenance & Constr Pmt		\$ 5,000	\$ 5,000	\$ -	0.0%
Maintenance & Constr of County Bridges		\$ 5,000	\$ 5,000	\$ -	0.0%
Municipal Traffic Signals		\$ 10,000	\$ 10,000	\$ -	0.0%
State & Local Hwy/Bridge Subtotal		\$ 1,407,630	\$ 1,196,362	\$ (211,268)	-15.0%
MLF STATE TOTAL		\$ 1,690,168	\$ 1,498,681	\$ (191,487)	-11.3%



Criminal Justice

The Department of Criminal Justice's General Fund budget is \$110,000 less than five-twelfths of the 2019/20 Revised total. The budget does not fund the Office of Victim Advocate. The Office of Victim Advocate was funded from General Government Operations in 2019/20. Medical Care received a \$14.9 million supplemental appropriation for 2019/20.

State Correctional Institutions are funded at greater than five-twelfths of the 2019/20 revised total by \$21.7 million. All other state appropriations, once annualized, would be level funded to 2019/20 amounts.

SCI-Retreat, which was scheduled for closure, was projected to save the Department of Criminal Justice \$43.9 million in 2020/21.

State Police

The State Police's General Fund budget is \$29.58 million more than five-twelfths of the 2019/20 enacted budget. Other state appropriations, with the exception of funding for the Statewide Public Radio System, if annualized, would represent level funding from 2019/20. Funding for the Statewide Public Radio System represents five-twelfths of the 2020/21 executive budget proposal.

The 2020/21 executive budget proposal assumed savings from the proposed Municipality Fee and assumed the legislated decrease of \$32 million from the Motor License Fund.

Pennsylvania Emergency Management Agency

PEMA's state General Fund budget represents five-twelfths of the 2019/20 enacted budget. Analysis of annualized 2020/21 state appropriations, with the exception of Disaster Relief, reveals that the department would be level funded to 2019/20 amounts. \$16.7 million is appropriated for Disaster Relief.

Included in the budget is state funding for the Search and Rescue program, also based on five-twelfths of the 2019/20 enacted budget. Funding for Search and Rescue was not included in the 2020/21 executive budget proposal.

Three federal appropriations received supplemental appropriations for 2019/20:

- \$55 million for COVID-PA Disaster Relief
- \$3.065 million for COVID-Emergency Performance Management Grant
- \$8.266 million for COVID-Emergency Food and Shelter Program

The COVID-19 Crisis Fire Company and Emergency Services Grant program (Senate Bill 1122) uses \$50 million from money received by the commonwealth under the Federal Coronavirus Aid, Relief, and Economic Security Act. \$44 million shall be expended for the purpose of making grants to eligible fire companies, and \$6 million shall be expended for the purpose of making grants to eligible EMS companies.

Judiciary

Funding for the Judiciary represents five-twelfths of the 2019/20 enacted budget. If the proposed 2020/21 state appropriations were annualized, the Judiciary would be level funded to 2019/20 amounts.

The Fiscal Code (House Bill 1083) addresses surcharges imposed on certain filings and other proceedings of Pennsylvania's unified judicial system. Section 2802-E imposes two surcharges, one of \$10 and one of \$2, on top of existing fees and charges established in Title 42 of the Pennsylvania Consolidated Statutes. The \$10 surcharge was set to expire on December 31, 2020 and is extended to December 31, 2021. Three surcharges were moved out of the administrative code and into the Fiscal Code. Two surcharges, at \$2.50 each are permanent, and the third \$11.25 surcharge is set to expire on December 31, 2021.



[Pennsylvania Commission on Crime and Delinquency](#)

The Pennsylvania Commission on Crime and Delinquency's state appropriations, if annualized, would be level funded to 2019/20 amounts. The state appropriations for Improvement of Adult Probation Services, moved from Criminal Justice, are also five-twelfths of the 2019/20 enacted budget.

[Military and Veterans Affairs](#)

The following appropriations in the Department of Military and Veterans Affairs receive five-twelfths of the 2019/20 enacted budget:

- General Government Operations
- National Guard Youth Challenge Program
- Armory Maintenance and Repair
- Burial Detail Honor Guard
- American Battle Monuments
- Special State Duty
- Supplemental Life Insurance Premiums
- Civil Air Patrol

The state appropriations for Education of Veterans Children, Pensions, and the transfer to the Educational Assistance Program fund are all funded at 100 percent of 2019/20 amounts.

[Community and Economic Development](#)

In general, DCED's appropriations are funded at five-twelfths of the department's 2019/20 budget. However, the department received a new \$2.084 million appropriation to establish the State Facility Closure Fund. This funding will be used to provide grants and loans to local municipalities affected by the permanent closure of a state-operated or state-owned facility.

[Department of State](#)

Overall, the Department of State's appropriations are funded at five-twelfths of the department's 2019/20 budget. Nevertheless, the department has a new appropriation, which transfers \$5.250 million to the Pennsylvania Economic Development Financing Authority. This funding will be used for the payment of debt service on voting machine reimbursement bonds, pursuant to the provisions established by Act 77 of 2019.

[A Look Ahead to November](#)

Debt Service

The General Assembly will need to monitor special fund revenues, which help pay for debt service costs, and increase the General Fund appropriation, if necessary, to ensure full and timely payment of the commonwealth's debts. The Gaming Economic Development Tourism Fund needs attention, given the disruption of gaming revenues during the closures.

Pre-K to 12 Education

According to some [estimates](#), the median school district may face a 6.4 percent decline in local sources of revenue in 2020/21. At the same time, school districts have rising, mandated costs related to charter schools, pensions, and special education and are contending with providing continuity of education and services in this unprecedented environment. Any state funding cuts would perpetuate these budget challenges.

The level-funded major education subsidies are some of the few exceptions in the otherwise five-month stop-gap budget. However, when the budget is revisited in November, adjustments can be made in both directions. If new state or federal revenue does not come to fruition, or if the economy recovers slowly, will the second act of this budget revoke the flat-funding education promise made in this first act?



Higher Education

While this budget avoids cuts to higher education, many students face new challenges to the ability to afford attending postsecondary education, because the pandemic impacted their jobs and the financial resources of their families. Being able to pay the cost of college is important to students and families, and for institutions whose budgets are intrinsically linked to enrollment. Colleges and universities will continue grapple with lost revenue from the pandemic's impact to spring and summer programs and the unknown of how the fall semester will look.

Human Services

The funding levels for the Department of Human Services are based on the governor's proposed budget and do not account for increases in enrollment due to current economic conditions in programs requiring state funds, namely Medical Assistance (MA) enrollment. Estimates from PHAN are that between 400,000 and 1,000,000 additional individuals could present for MA coverage.

Liquor Profit Transfer

The Pennsylvania Liquor Control Board already fulfilled its obligation for a profit transfer of \$185.1 million in 2019/20 before the shutdown of PLCB stores occurred. In a Senate hearing on May 6, 2020 the PLCB testified that the shutdown cost the stores about \$100 million, and they anticipated finishing 2019/20 with sales down by two or three percent. It is not clear whether the PLCB will be able to make the \$185.1 million profit transfer proposed by the 2020/21 executive budget proposal. Additionally, the \$100 million drop in sales translates into a loss \$25.1 million of General Fund revenue from lost liquor and sales taxes.

New Revenue Sources

With such a large deficit projected, borrowing alone will not be enough to fill the gap or fix the structural deficit. New sources of revenue will be necessary. It is important to keep in mind that some types of revenue would take many months to implement and waiting until November to enact new revenues might mean that new revenues will not even begin to flow until after the close of 2020/21. While it is hard to fathom a tax increase during a time of record unemployment, this is an opportunity to improve tax policy in the following ways:

- Tax fairness – Broader tax bases creates more stability to weather the next storm. Implementing combined reporting for corporate net income tax collections will broaden the base to capture income from large, multi-state corporations, with no harm to smaller Pennsylvania-based corporations. Removing carve-outs for special interests is another way to broaden the tax base.
- Tax relief for the most-in-need – Increasing the income limits for personal income tax forgiveness (the poverty exemption) is well overdue since they have not increased since 2004.
- Adapting to a new economy – Consumption patterns have changed drastically since the Tax Code was written and have recently changed again due to the global pandemic. We do not know what the economy will look like when we come out on the other side of this, but it is safe to say that it will be different. Therefore, we cannot expect an old tax structure to produce revenues that match the needs of the commonwealth and its citizens, and it is time to implement new strategies to fix an unbalanced structure.

Lottery Fund

Lottery sales are below projections for this fiscal year; however, the 2019/20 and 2020/21 programs funded by the Lottery have not been adjusted accordingly. Therefore, additional general funds may be needed in November to fund what the Lottery cannot.

