



## 2023/24 Budget-in-Depth

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# **2023/24 BUDGET PACKAGE**

## Components

The 2023/24 budget package includes the following bills:

- “Housekeeping” Appropriations – all enacted July 11, 2023
  - Bureau of Professional and Occupational Affairs (Act 2A/HB614)
  - Workers’ Compensation Act administration for the Department of Labor and Industry (Act 3A/HB 615)
  - Office of Small Business Advocate (Act 4A/HB616)
  - Office of Consumer Advocate (Act 5A/HB617)
  - Public School Employees’ Retirement System (Act 6A/HB618)
  - State Employees’ Retirement System (Act 7A/HB619)
  - Philadelphia Parking Authority (Act 8A/HB620)
  - Pennsylvania Public Utility Commission (Act 9A/HB621)
  - Pennsylvania Gaming Control Board (Act 10A/HB622)
- General Appropriations (Act 1A/HB611)
  - Passed Senate on June 30, 2023
  - House Concurred on July 5, 2023
  - Signed in Senate on August 3, 2023, nearly a month after the House passed the bill
  - Approved by the Governor on August 3, 2023 with line item veto
- Human Services Code (Act 15/HB1351 – enacted October 23, 2023)
- Capital Budget (Act 28/HB623 - enacted November 13, 2023)
- Non-Preferred Appropriations
  - State-related universities (Act 11A/HB1461 - enacted November 16, 2023)
- Fiscal Code (Act 34/HB1300 - enacted December 13, 2023)
- School Code (Act 33/HB301 and Act 35/SB843 - both enacted December 13, 2023)

As of January 2024, House Bill 613 providing for non-preferred appropriations to the University of Pennsylvania for veterinary activities and the Center for Infectious Diseases has not been passed by the General Assembly.

## A Note on Timing

The impetus for the partial budget impasse was the school voucher proposal known as the Pennsylvania Award for Student Success (PASS) Scholarship Program. Gov. Shapiro’s veto message read, in part: “Knowing that the two chambers cannot reach consensus at this time to enact enabling legislation for PASS and my unwillingness to hold up our entire budget process and all of this progress for the people of Pennsylvania over this one issue, I am line-item vetoing the full \$100 million appropriated for PASS and signing this budget so we can make the critical investments our communities need.”

Relatedly, the Budget Secretary issued a memo stating that he would not release certain funding absent enabling legislation. This included education funding like Level Up (targeted funding for PA’s lowest spending school districts), the new student teacher stipend, and school mental health grants, as well as other programs like Whole Home Repairs, criminal indigent defense, EMS rate increases, and hospital and health system emergency relief.

In the months after the General Appropriation Act was enacted, the Democratic-led House and the Republican-led Senate negotiated school code and fiscal code bills, with much of the difference centering on enabling language for the aforementioned programs.

## General Fund Appropriations

The 2023/24 budget reflects \$44.947 billion in enacted appropriations from the General Fund. This represents a \$4.15 billion (10.2%) increase from the prior fiscal year (2022/23). This increase is inflated by the fact that the 2023/24 budget reduced the prior year’s state spending by \$1.97 billion through supplemental appropriation adjustments. It should be noted that due to a lack of enabling language in the Fiscal Code, the \$50 million



appropriated in the General Appropriations Act for Whole Home Repairs is expected to remain unspent and lapse at the end of the 2023/24 fiscal year.

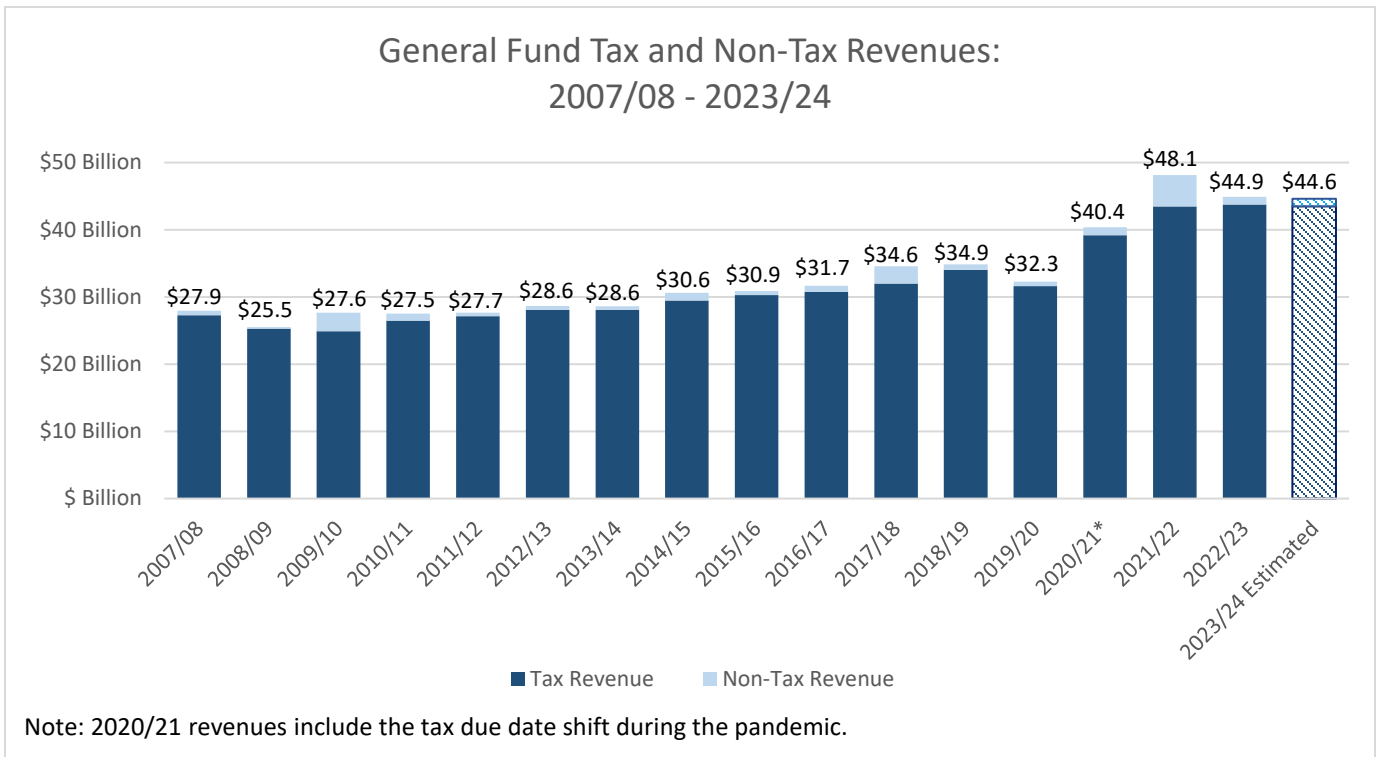
In total, the General Assembly appropriated \$91.991 billion in state and federal funds for the 2023/24 fiscal year. These appropriations comprised the bulk of the commonwealth's operating budget. They are joined by \$466.7 million in state and federal appropriations within the separate appropriations bills for independent agencies and \$603.5 million through the non-preferred appropriations acts. The balance of the operating budget for other special funds and restricted accounts is set by executive authorization under authority granted by prior acts of the General Assembly directing the use of those funds.

Year over year, \$1.68 billion of the increased appropriations replace enhanced Federal Medical Assistance Percentage (FMAP) funds that offset Medical Assistance expenditures within the Department of Human Services in 2022/23. The enhanced federal match received by states during the pandemic has phased down and ended in December 2023.

### General Fund Revenues

General Fund revenues for 2022/23 finished \$1.3 billion, or 3.1%, above the official estimate with a total of \$44.917 billion. These higher-than-expected revenues were particularly supported by Corporate Net Income Tax (CNIT) collections, which finished the fiscal year \$1.243 billion or 25.4% above estimate due to strong tax year 2022 payments. Stronger corporate profit growth than originally predicted is the main contributor for the outperforming 2022 CNIT payments. Estimated payments for tax year 2023 also proved to be strong despite the CNIT rate reduction from 9.99% to 8.99% enacted last year, but it is expected that corporate taxpayers will begin adjusting payments moving forward for the continued CNIT rate reduction as corporate profit growth is expected to level off.

After adjusting for tax law modifications included in the Fiscal Code bill, tax credit increases, and transfers, the 2023/24 official General Fund revenue estimate before refunds is \$44.611 billion, a decrease of \$306.5 million or 0.7% over the prior year.



## Rainy Day Fund

The Fiscal Code requires that a portion of the budget surplus at the end of the fiscal year be deposited into the Budget Stabilization Reserve Fund, commonly referred to as the Rainy Day Fund. The law requires that 25% of the surplus in a given fiscal year be transferred to the Rainy Day Fund unless the balance in the fund equals or exceeds 6% of the actual General Fund revenues received during the fiscal year in which the surplus occurs, at which point the transfer requirement is reduced to 10%. However, the General Assembly has regularly modified this transfer requirement in prior fiscal years.

The current Rainy Day Fund balance triggers the reduced statutory transfer of 10% of the 2022/23 surplus in recognition of a healthy reserve balance. Consequently, a transfer of \$898.3 million was transferred from the General Fund to the Rainy Day Fund in November 2023. As of January 2024, the Rainy Day Fund balance is an estimated \$6.2 billion, reflecting about 13.8% of General Fund expenditures or 50.3 days of spending.

The Fiscal Code bill enacted in December 2023 did not provide for any language to change the 2022/23 Rainy Day Fund transfer. However, it did amend Section 1702-A of the Fiscal Code to define “surplus” as it relates to the Rainy Day Fund transfer to mean a fiscal operating result that occurs in a fund at the end of a fiscal year, by which expenditures, including tax refunds, are less than the fund’s beginning balance, revenues and receipts, and lapses during the same period – this definition of surplus aligns with how the Rainy Day Fund transfer has historically been treated when a percentage pursuant to the statute is expected to be transferred. The transfer made in November 2023 conforms to this definition, so it does not impact the transfer made from the 2022/23 budget surplus.

## **TAX AND REVENUE CHANGES**

### Expansion of the Pennsylvania Child and Dependent Care Enhancement Tax Credit

At the time of this writing, the General Assembly has not passed a Tax Code bill to make changes to the state tax structure as a part of the 2023/24 budget package. However, the Fiscal Code bill enacted in December 2023 provided for multiple tax and revenue modifications, including a broad expansion to the Pennsylvania Child and Dependent Care Enhancement Tax Credit.

Act 52 of 2022 originally established the Pennsylvania Child and Dependent Care Enhancement Tax Credit in the Tax Reform Code of 1971 as a state tax credit program to work in tandem with the Federal Child and Dependent Care Tax Credit to ease the burden of child and dependent care expenses for working families. At its inception, the refundable state tax credit was 30% of a Pennsylvania taxpayer’s federal tax credit amount – individuals are required to first claim the federal credit in order to claim the state tax credit. Pennsylvanians could begin claiming the state credit for tax year 2022, meaning that families first had access to this tax benefit when they filed their 2022 taxes by April of 2023.

The Fiscal Code bill moves the language providing for the Pennsylvania Child and Dependent Care Enhancement Tax Credit from the Tax Reform Code of 1971 to Act 176 of 1929 (The Fiscal Code). In addition to moving the tax credit program into the Fiscal Code, the amount of the state tax credit that Pennsylvania taxpayers can receive was also increased from 30% to 100% of their federal tax credit amount (i.e., the state tax credit will now match the federal tax credit amount). This expansion is applied to tax year 2023, meaning that Pennsylvania taxpayers will be able to claim this state tax credit under the expanded parameters when they file their 2023 taxes by April of 2024.

The Department of Revenue predicts that as many as 218,800 individuals could be eligible for this tax credit and further estimates that this tax credit expansion will result in a total of \$83.3 million in tax credits for Pennsylvanians in 2023/24, reflecting an increase of an estimated \$57.4 million.



Pennsylvania Child and Dependent Care Enhancement Tax Credit: Maximum Tax Credit Amounts Before and After Expansion					
Adjusted Gross Income	Federal Applicable Percentage	State Tax Credit Amounts Pre-Act 34 Expansion		State Tax Credit Amounts with Act 34 Expansion	
		One Dependent	Two or More Dependents	One Dependent	Two or More Dependents
\$15,000 or Less	35%	\$315	\$630	\$1,050	\$2,100
\$15,001-\$17,000	34%	\$306	\$612	\$1,020	\$2,040
\$17,001-\$19,000	33%	\$297	\$594	\$990	\$1,980
\$19,001-\$21,000	32%	\$288	\$576	\$960	\$1,920
\$21,001-\$23,000	31%	\$279	\$558	\$930	\$1,860
\$23,001-\$25,000	30%	\$270	\$540	\$900	\$1,800
\$25,001-\$27,000	29%	\$261	\$522	\$870	\$1,740
\$27,001-\$29,000	28%	\$252	\$504	\$840	\$1,680
\$29,001-\$31,000	27%	\$243	\$486	\$810	\$1,620
\$31,001-\$33,000	26%	\$234	\$468	\$780	\$1,560
\$33,001-\$35,000	25%	\$225	\$450	\$750	\$1,500
\$35,001-\$37,000	24%	\$216	\$432	\$720	\$1,440
\$37,001-\$39,000	23%	\$207	\$414	\$690	\$1,380
\$39,001-\$41,000	22%	\$198	\$396	\$660	\$1,320
\$41,001-\$43,000	21%	\$189	\$378	\$630	\$1,260
\$43,001 or More	20%	\$180	\$360	\$600	\$1,200

Note: Tax credit amounts assume taxpayers claim the maximum allowable employment-related expenses for the tax credit, which are currently capped at \$3,000 for one dependent and \$6,000 for two or more dependents.

For more information, please visit the [Pennsylvania Child and Dependent Care Enhancement Tax Credit publication](#).

### Tax Exclusion for Dependent Care Assistance Provided by Employers

The Fiscal Code also included language allowing employees that receive Dependent Care Assistance from their employer to exclude the amounts paid by their employer from their income for the state Personal Income Tax beginning in tax year 2023. Prior to this change, these benefits were only excluded from income for federal income tax purposes, so this change will align Pennsylvania law with federal law as it relates to its treatment of employer-provided Dependent Care Assistance.

### Tax Exemption for Institutions of Purely Public Charity

The Fiscal Code bill also provided for tax exemption for domestic fraternal societies, orders, or associations that have been located in the commonwealth for at least 100 years and operate under a lodge system where the net earnings are devoted to religious, charitable, scientific, literary, educational, and fraternal purposes. These organizations also must not have been issued a liquor license by the Pennsylvania Liquor Control Board to qualify for tax exemption.

### Transfers

The Fiscal Code bill authorized the following fund transfers for 2023/24 that impact the General Fund:

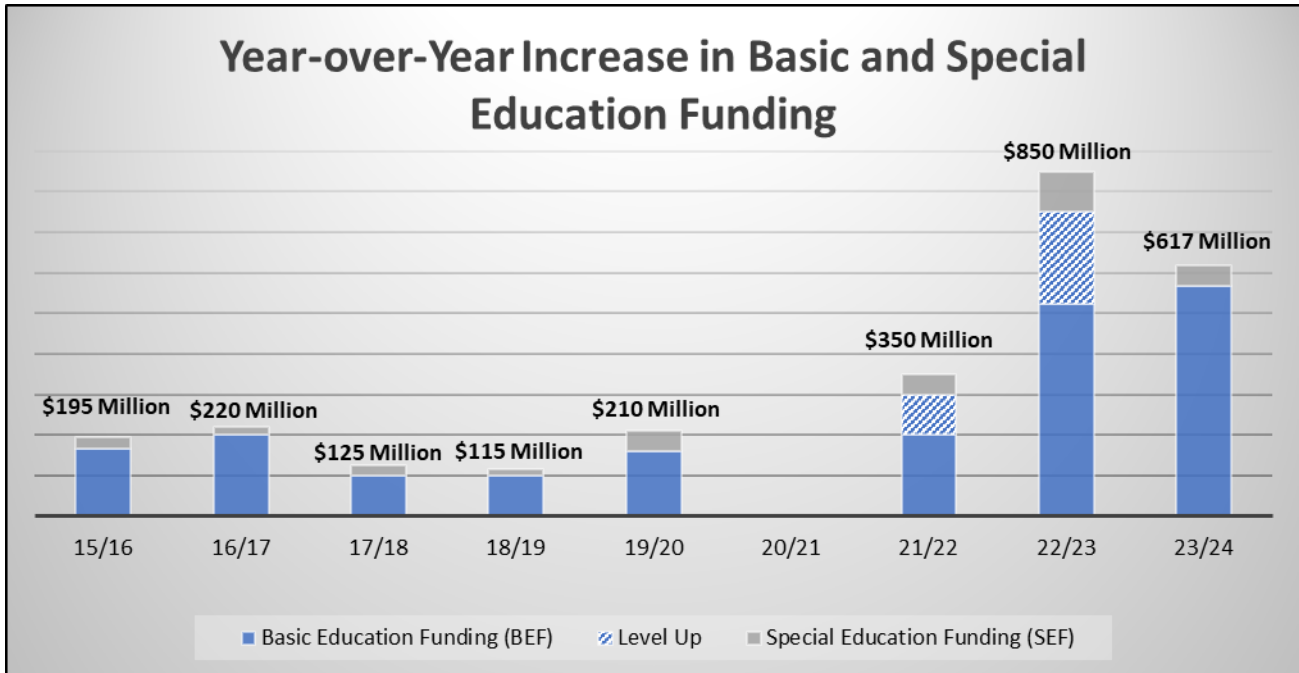
- A transfer of \$10.538 million from Personal Income Tax revenue in the General Fund to the Environmental Stewardship Fund;



- A transfer of \$4 million from Personal Income Tax revenue in the General Fund to the Surface Mining Conservation and Reclamation Fund; and
- A transfer of \$31.9 million from the Medical Marijuana Fund to the General Fund.

## **EDUCATION - PRE-K TO 12**

For the second year in a row, the General Assembly has approved a significant increase in state basic and special education funding for school districts. However, a major development occurred in the interval between these two budgets – the Commonwealth Court issued a ruling declaring Pennsylvania’s system of funding public education to be unconstitutional.



The Court affirmed education as a fundamental right, stating that the PA constitution “requires that every student receive a meaningful opportunity to succeed academically, socially, and civically, which requires that all students have access to a comprehensive, effective, and contemporary system of public education.”

The Court determined that Pennsylvania’s overreliance on local sources of funding for schools creates an unacceptable disparity in this constitutional right between students residing in school districts with high property values versus low property values. Instead of prescribing a solution, the Court provided the legislature, governor’s administration, and petitioners (who brought the lawsuit) with the first opportunity to devise a plan to correct the inequities and inadequacies present in PA’s public schools.

While the enacted budget includes an impactful increase in state K-12 education funding, it is not following any sort of agreed-to, comprehensive plan to address the issues identified by the Court, which many have acknowledged will take a multi-year effort. On January 11, 2024, the [Basic Education Funding Commission](#) released a majority report with recommended formulas for determining adequate and equitable funding for school districts.

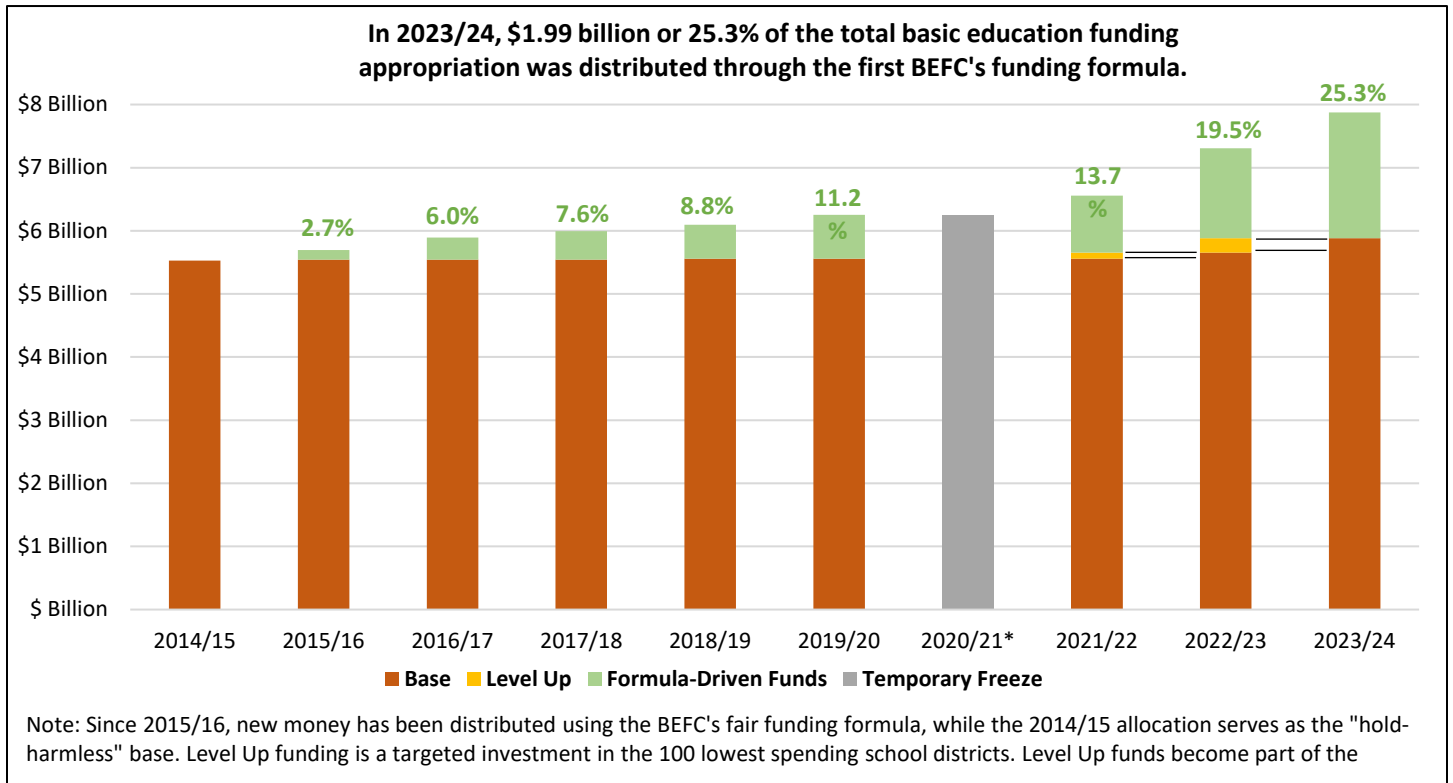
### **Basic Education Funding**

Basic education funding (BEF) is the name for the largest subsidy that the state pays to school districts. According to the 2021/22 Annual Financial Reports, BEF represented 52% of the state revenues received by school districts.

The 2023/24 budget includes a \$567 million or 7.4% increase in BEF. This is not readily apparent on the tracking spreadsheet because \$225 million in 2022/23 Level Up funding is moved into the BEF appropriation. Additionally, for both 2022/23 and 2023/24, the social security payments were separated back out of BEF, returning to the pre-2019/20 budgeting practice.



As the chart below illustrates, new BEF funding since 2015/16 has been distributed using the state's fair funding formula for basic education, which takes into account each school district's latest enrollment figures, poverty levels, population density, median household income, local tax capacity, and local tax effort to determine each district's appropriate share of funding that is distributed through the formula. Funding provided prior to 2015/16 (along with any adjustments), is known as the "base" or "hold-harmless" because it is a guaranteed amount that does not reflect the most recent student or district demographics.

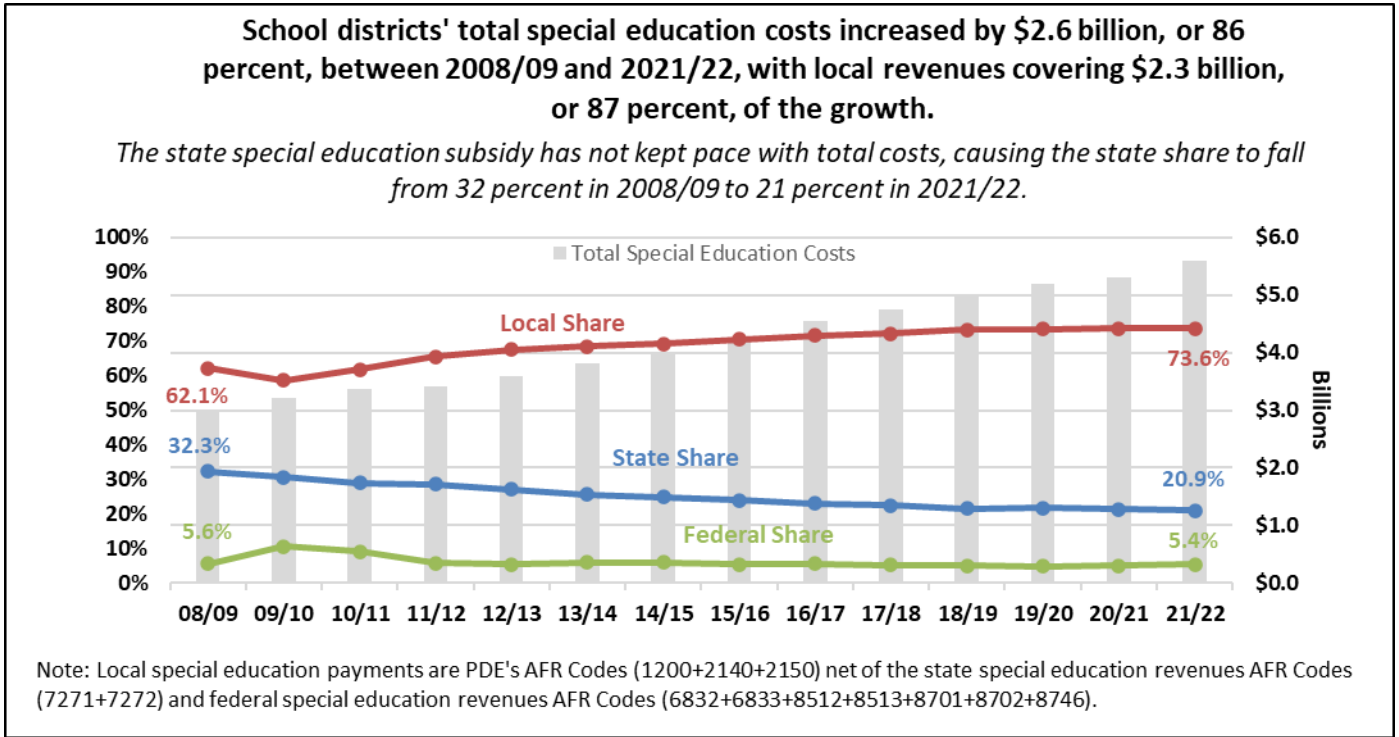




## Special Education Funding

The 2023/24 budget provides a \$50 million or 3.7% increase for special education funding.

Rising special education costs, attributable to both the increase in number of students and the rise in the number and cost of services, have been a cost-driver for school district budgets for more than a decade. The state funding for special education has simply not kept pace with the rising costs, causing the overall state share to fall from 32% in 2008/09 to 21% in 2021/22.



## School Facilities

The 2023/24 budget package includes \$175 million for school facility grants. The fiscal code identified the funding sources for the two new programs – \$100 million in repurposed Level Up dollars for the Public School Facility Improvement Program and \$75 million in surplus prior year operating funds for the School Environmental Repairs Program. The table below provides a summary and comparison of the two new programs.

<b>Summary of New Funding for School Facilities in 23/24 Budget</b>	<b>Public School Facility Improvement Grant Program</b>	<b>School Environmental Repairs Program</b>
<b>2023/24 Funding</b>	\$100 million (from funds originally appropriated for 23/24 Level Up)	\$75 million (transfer of a surplus in prior years' general government operations funds)
<b>Eligible Applicants</b>	School districts and area career and technical schools	School districts, area career and technical schools, and charter schools
<b>Eligible Uses of Funds</b>	<ul style="list-style-type: none"> <li>- roof repairs and roof replacement</li> <li>- HVAC equipment</li> <li>- boilers and controls</li> <li>- plumbing systems</li> <li>- energy savings projects</li> <li>- health and safety upgrades (including environmental hazards and AEDs)</li> <li>- emergencies (deficiencies that prevent a building from being open)                             <ul style="list-style-type: none"> <li>- accessibility projects</li> <li>- internet connectivity</li> <li>- demolition</li> </ul> </li> <li>- window repair and window replacement</li> <li>- other approved projects</li> </ul>	Projects that abate or remediate environmental hazards, including lead, asbestos, and mold
<b>Grant Framework</b>	Application based; the scoring rubric includes school entity wealth, building conditions, emergencies, and health/security/safety considerations	Application based; priority given to projects that abate or remediate environmental hazards that present the greatest risk of exposure
<b>Maximum Grant Award</b>	\$5 million per application (can submit multiple)	\$10 million per project
<b>Local Match Required</b>	25% (may be waived for school districts in financial watch or recovery)	50%
<b>Limitations</b>	<ul style="list-style-type: none"> <li>- no school entity may receive more than 20% of the funds</li> <li>- area career and technical schools may not receive more than 20% of the funds</li> </ul>	n/a
<b>Administering Agency</b>	Commonwealth Financing Authority	Department of Education
<b>Transparency</b>	Report to Appropriations Chairs	Grant awards published on website
<b>Statutory Authority</b>	Section 1753.2-E of the Fiscal Code (HB1300 - enacted 12/13/2023)	Article XXVI-L of the Public School Code (HB301 - enacted 12/13/2023)



## Early Childhood Education

The 2023/24 budget marks the first time since 2011/12 that the General Assembly did not increase funding for Pre-K Counts (excluding the nearly across the board flat funding during 2020/21 due to the pandemic). In response to a desire by some for better data on enrollments, one of the school code bills (SB843) requires PDE to collect and report additional enrollment information from approved providers in the Pre-K Counts program.

The early childhood sector continues to have workforce challenges, which is why Gov. Shapiro had proposed a \$30 million increase to provide a 10% increase in the rates paid to providers in order to increase the wages of early childhood educators.

Under Gov. Wolf's 8 years of leadership, the General Assembly increased funding for Pre-K Counts (income up to 300% of poverty level to qualify) and Head Start Supplemental Assistance (income up to 100% of poverty level to qualify) by a combined \$254 million, or 186%. This equated to an additional 17,998 seats and increased rates paid per seat.

## Career and Technical Education

The enacted budget includes a \$14 million or 13.3% increase for the Career and Technical Education subsidy, and the fiscal code earmarks \$2 million of those funds for a new industry in the school program to bring trade and industry professionals into the classroom.

Additionally, the 2023/24 budget increases the Career and Technical Education Equipment Grants from \$5.6 million to \$15 million. These are formula-driven funds for qualifying programs to purchase lasting, hands-on training equipment costing \$3,000 or more.

## Dual Enrollment

Last year's budget, 2022/23, included a \$7 million appropriation for dual enrollment. This was the first time the state allocated resources for dual enrollment since the program was eliminated in 2011/12.

The 2023/24 budget did not provide an appropriation for dual enrollment. However, the fiscal code permits funds appropriated for Job Training Programs to be used for dual enrollment.

Dual enrollment or dual credit funding reimburses school entities that cover the approved costs for a secondary student to concurrently enroll in postsecondary courses. The student receives both post-secondary and secondary credit for completed classes, which makes higher education more affordable and exposes the student to post-secondary pathways.

## School Safety

The 2023/24 budget provides \$50 million for physical school safety grants, \$90 million for mental health safety grants, and \$10 million to support school-based mental health professionals. Overall, this represents a decrease compared to the prior year. The school safety grants are managed by the School Safety and Security Committee (SSSC), which is administered by the Pennsylvania Commission on Crime and Delinquency (PCCD). The SSSC also oversees the Violence Intervention and Prevention (VIP) funding – the PCCD section of this briefing has more information on the VIP grants.



<b>Summary of School Safety and Security Committee Funding</b>		<b>2022/23</b>	<b>2023/24</b>
<i>Expenditures:</i>			
Physical Safety Grants to School Entities		\$95,000,000	\$50,000,000
Administration of School Safety and Security Coordinator Training		\$5,000,000	\$0
Training and Certification of School-Based Mental Health Professionals		\$0	\$5,000,000
Mental Health Grants to School Entities		\$95,000,000	\$90,000,000
School-Based Mental Health Internship Program		\$5,000,000	\$5,000,000
Violence Intervention and Prevention (VIP) Grants		\$105,000,000	\$40,000,000
	Total Expenditures:	\$305,000,000	\$190,000,000
<i>Revenues:</i>			
Transfer to School Safety and Security Committee Appropriation (PDE)		\$100,000,000	\$50,000,000
Transfer from Ready to Learn Block Grant Appropriation (PDE)		\$100,000,000	\$0
Federal COVID Relief ARPA Funds for School Mental Health Grants <sup>1</sup>		\$0	\$100,000,000
Violence Intervention and Prevention (VIP) Appropriation (PCCD)		\$30,000,000	\$40,000,000
Violence Intervention and Prevention (VIP) - Federal ARPA State Fiscal Recover		\$75,000,000	\$0
	Total Revenues:	\$305,000,000	\$190,000,000

<sup>1</sup>These funds were appropriated in the 2023/24 budget as a prior year supplemental appropriation

In addition to continued funding for the SSSC grant programs, the 2023/24 budget package via the school code amendments in HB301 changed the title of Article XIII-A from “Safe Schools” to “Student Supports” and transferred some school safety responsibilities from PDE to the SSSC.

This includes the administration of funds appropriated to PDE for safe school initiatives, which the 2023/24 budget doubled – from \$11 million to \$22 million. These funds are now governed by Section 1306.1 of the Public School Code and can be used for a broad array of school safety programming as well as school security personnel. There is a stipulation that at least \$14.551 million each year must be used for grants to nonpublic schools. For 2023/24, this essentially means that nonpublic schools receive their minimum allocation from the 2022/23 safe school initiative grants (\$3.2 million) and the entirety of the \$11 million increase in 2023/24.

## Educational Tax Credits

Pennsylvania operates two educational tax credit programs – the Educational Improvement Tax Credit (EITC) and the Opportunity Scholarship Tax Credit (OSTC). One of the school code bills (HB301) increased the EITC and OSTC program caps significantly (see table below). The descriptions of the four programs within EITC as well as the OSTC program are below.

<b>Educational Tax Credits Summary</b>	<b>2016/17 Cap</b>	<b>2021/22 Cap</b>	<b>2022/23 Cap</b>	<b>Change: 21/22 to 22/23</b>	<b>Change: 16/17 to 22/23</b>
Scholarship Organizations	\$ 75,000,000	\$ 175,000,000	\$ 263,000,000	\$ 88,000,000	50.3%
Earmarked for Economically Disadvantaged Scholarships	\$ -	\$ -	\$ 12,000,000	\$ 12,000,000	
Educational Improvement Organizations	\$ 37,500,000	\$ 37,500,000	\$ 44,500,000	\$ 7,000,000	18.7%
Pre-Kindergarten Scholarship Organizations	\$ 12,500,000	\$ 12,500,000	\$ 20,500,000	\$ 8,000,000	64.0%
<b>Educational Improvement Tax Credit (EITC) Total:</b>	<b>\$ 125,000,000</b>	<b>\$ 225,000,000</b>	<b>\$ 340,000,000</b>	<b>\$ 115,000,000</b>	<b>51.1%</b>
Opportunity Scholarship Organizations	\$ 50,000,000	\$ 50,000,000	\$ 65,000,000	\$ 15,000,000	30.0%
Earmarked for Economically Disadvantaged Scholarships	\$ -	\$ 5,000,000	\$ -	\$ (5,000,000)	-100.0%
<b>Opportunity Scholarship Tax Credit (OSTC) Total:</b>	<b>\$ 50,000,000</b>	<b>\$ 55,000,000</b>	<b>\$ 65,000,000</b>	<b>\$ 10,000,000</b>	<b>18.2%</b>
<b>Educational Tax Credits (EITC &amp; OSTC) Total:</b>	<b>\$ 175,000,000</b>	<b>\$ 280,000,000</b>	<b>\$ 405,000,000</b>	<b>\$ 125,000,000</b>	<b>44.6%</b>

Program Descriptions:

- Educational Improvement Tax Credit (EITC)
  - **Scholarship Organizations** – benefits tuition-paying students (i.e., private school students)



- **Educational Improvement Organizations** – benefits innovative education programs (e.g., libraries, museums, civic clubs, community centers, school districts, charter schools, private schools, etc.)
- **Pre-Kindergarten Scholarship Organizations** – benefits public and private pre-k students
- **Earmarked for Economically Disadvantaged Scholarships** – up to a \$4,000 supplemental scholarship for students attending a school where at least 51% of the students received a scholarship in the prior year
- Opportunity Scholarship Tax Credit (OSTC) – **Opportunity Scholarship Organizations** – benefits students residing in the attendance area of a low-achieving (bottom 15%) school; award goes toward school-based fees for private or public school

In its performance-based budget review of the Educational Tax Credits, the Independent Fiscal Office (IFO) noted that the program’s lack of transparency and accountability made it impossible to evaluate the programs. In addition to increasing the tax credit caps, the school codes implemented some of the IFO’s recommendations to improve transparency and accountability.

Specifically, the school codes reduced the administrative allowance from 20% to 10% (or 15% depending upon the nonprofit’s federal IRS 990 form filing). Further, nonprofits will have to report individual scholarship awards (rather than just averages) and the name of both the school the recipient attended and the school district where the recipient resides.

## **HIGHER EDUCATION**

### Institutions of Higher Education

Of the **four state-related universities** – Lincoln University, the University of Pittsburgh, Temple University and Penn State University – only Lincoln University and the Pennsylvania College of Technology (an affiliate of Penn State University) received an increase. Lincoln University received a \$3.2 million or 21% increase and the Pennsylvania College of Technology received a \$3.2 million or 12% increase. The state-related universities are funded outside of the General Appropriation Act due to constitutional provisions requiring a two-thirds vote threshold for enactment.

For 2023/24, the **Pennsylvania State System of Higher Education (PASSHE)** received a \$33 million or 6% increase, which helps support the 10 state-owned universities. The 2023/24 budget can also make changes to the 2022/23 budget via supplemental appropriations. The enacted budget includes a \$65.4 million supplemental appropriation for 2022/23 for facilities transition to address Pennsylvania Western University debt challenges.

**Community Colleges** and **Thaddeus Stevens College of Technology** both received a 2% increase.

### Pennsylvania Higher Education Assistance Agency (PHEAA)

The 2023/24 General Appropriation Act provides PHEAA’s flagship program – the State Grant Program – with a \$15.9 million or 4.8% increase. Additionally, the fiscal code authorized a transfer within the Higher Education Assistance Fund, moving \$8.6 million in funds from the SciTech and GI Bill Restricted Revenue Account to the State Grants Restricted Revenue Account. This increase and transfer allows PHEAA to maintain the maximum PA State Grant Program award of \$5,750.

### Other Higher Education Investments

A new appropriation for Parent Pathways in the amount of \$1.66 million will support students who are parents at postsecondary institutions.

The budget contains \$1 million for the Hunger-Free Campus Initiative and a \$250,000 increase for sexual assault prevention on campus. Both appropriations support grants to institutions through the Department of Education.



# **HEALTH AND HUMAN SERVICES**

## Health

The budget appropriated a total of \$238.8 million in state funds to the Department of Health, an increase of \$14.5 million, or 6.5%, over the 2022/23 fiscal year. The department's appropriation for general government operations decreased slightly by \$100,000 to \$31.2 million. The budget contained a new appropriation in the amount of \$2.3 million for health promotion and disease promotion.

Funding for the quality assurance increased by \$4.0 million, or 15.8%, to a total of \$29.3 million. These funds help the department monitor regulatory and grant compliance for the department and its grantees and the increase was part of an initiative proposed in the executive budget.

The budget increased funding for state health care centers to \$28.1 million, an increase of 12.5%. Local health departments also saw a funding increase of \$2.8 million to a total of \$35.8 million. The budget also increased funding to regional cancer centers by \$800,000 to \$2.0 million, an increase of 66.7%. Primary health care practitioner programs received an increase of 18.4% to a total of \$8.4 million.

The department has several appropriations directed to specific diseases and conditions, including diabetes, cystic fibrosis, Cooley's anemia, sickle cell, Lyme disease, epilepsy, Tourette syndrome, Amyotrophic Lateral Sclerosis, leukemia, and lymphoma. These funds are generally distributed by the department to grantees for research or to provide services related to those conditions. The enacted budget maintained funding levels from the 2022/23 fiscal year while the Fiscal Code maintained the same distributions of those funds.

The Fiscal Code suspended a \$1.4 million loan repayment from the Rural Health Redesign Center Authority to the department set for the 2023/24 fiscal year.

## Drug and Alcohol Programs

The General Fund appropriation to the Department of Drug and Alcohol Programs (DDAP) for 2023/24 was \$48.1 million, a 0.4% increase over 2022/23. State funding for Assistance to Drug and Alcohol Programs was held flat at \$44.7 million. The appropriation for General Government Operations was enacted at \$3.4 million, a 6.7% increase over 2022/23.

The enacted budget appropriated \$13.6 million to DDAP from the Opioid Settlement Restricted Account. These funds will be used to support opioid rescue, treatment, and prevention efforts in accordance with the settlement agreements.

## Human Services

The enacted budget appropriates \$18.6 billion in state General Funds to the Department of Human Services. This represents a \$2.6 billion increase, or 16.4%, over 2022/23.

The increase in state General Funds is primarily due to the decrease in enhanced federal medical assistance percentage (FMAP), which decreased to 2.5% in July 2023, to 1.5% in October 2023, and ends December 31, 2023.

The American Rescue Plan Act provided a temporary 10% in additional FMAP for MA Home and Community-Based Services (HCBS) between April 1, 2021, and March 31, 2022. The federal government required that any state savings from the temporary FMAP increase had to be used to implement programs that enhance, expand, or strengthen the HCBS services available under the MA program, and the available funding must be spent by March 31, 2025. The 2023/24 budget includes \$194.2 million in state General Funds which will allow the department to maintain some of the HCBS initiatives implemented in 2022/23 through June 30, 2024. Most of the initiatives that are continuing are related to increased rates paid for certain HCBS services in MA managed care and the Intellectual Disabilities Community programs.

Act 15 of 2023 included changes to the Human Services Code which require MA payment for emergency ground ambulance transportation at either the Medicare or MA Fee Schedule rate, whichever is greater. In addition, the Human Services Code has requirements for calculating nursing facility rates using 2022/23 cost data and peer group pricing, and the Statewide Hospital Assessment end date was extended for an additional five years to June 30, 2028.



## *Medical Assistance*

State General Funds increased by \$616 million, or 18%, for MA – Capitation, which is the largest of the MA appropriations. The increase is mainly a result of the decrease in federal funds of \$632 million from 2022/23 which is because of the loss enhanced FMAP. Additionally, the federal government’s requirement for continuous enrollment of individuals in the MA program during the COVID-19 pandemic has ended. Beginning in April 2023, the department reinstated the MA eligibility redetermination process. Since that time, MA enrollment continues to decrease each month with the final redeterminations expected to be finished in March 2024. As a result of the lower enrollment in the MA managed care program, the 2023/24 budget included a decrease in state funds of \$386 million.

In addition, the 2023/24 budget allocates \$12 million in state General Funds to make one-time payments to dentists enrolled in the MA program that provide specific dental services to individuals in the MA managed care program, and it allocates \$12 million to increase the capitation rates for calendar year 2025 for specific dental services.

MA Fee-for-Service also received an increase of \$167 million, or 28.3% in state General Funds because of the decrease in enhanced federal funding. This appropriation also maintains certain hospital payments at 2022/23 levels as follows:

- Community Access Fund grants;
- \$330,000 for Cleft Palate and other Craniofacial Anomalies;
- \$800,000 for clinical ophthalmological services located in Philadelphia;
- \$5 million to a hospital in the City of Chester in Delaware County;
- \$2 million shall be distributed to a university located in Philadelphia to research the impact of trauma-informed programs;
- \$3 million to an outpatient services provider located in the City of Pittsburgh in Allegheny County that provides behavioral health and medical rehabilitation pediatric outpatient services;
- \$1.25 million to a cancer treatment center in Unity Township in Westmoreland County.

The 2023/24 budget appropriates a combined increase of \$8 million in state General Funds over 2022/23 due to the decrease in enhanced federal funds for the MA program for:

- Hospital Based Burn Centers,
- Critical Access Hospitals,
- Obstetric and Neonatal Services,
- Trauma Centers,
- Academic Medical Centers, and
- Physician Practice Plans appropriations.

## *Long Term Living*

The state General Funds increased over 2022/23 by \$929 million, or 20.8%, for Community HealthChoices, \$19.8 million, or 12.9%, for the Living Independence for the Elderly (LIFE), and by \$17.7 million, or 13.4%, for Long-Term Living programs. These increases are mainly due to the expected decrease in enhanced federal funds.

The 2023/24 budget also maintains funding for certain nursing home payments at 2022/23 levels, as follows:

- No less than the fiscal year 2014/15 amount (\$2 million) to county nursing homes located in Delaware County, with more than 725 beds and a Medicaid acuity at 0.79 as of August 1, 2015.
- No less than the fiscal year 2020/21 (\$1 million) to a nonpublic nursing home located in Philadelphia County with more than 395 beds and a Medicaid acuity at 1.06 as of August 1, 2022.
- \$5 million to a nonpublic nursing home located in Sullivan County with more than 119 beds and a Medicaid acuity at 1.11 as of August 1, 2022.
- \$500,000 to nursing facilities that provide ventilator care and tracheostomy care with greater than 90% of MA residents who require this care.
- \$16 million is for MA Day-One Incentive Payments.



## *Mental Health*

The Mental Health Services appropriation increased by \$19.5 million, or 2.2%, over 2022/23. This appropriation maintains funding for web portals that provide support for individuals with mental health or substance abuse condition and for services and resources for veterans and their families. It also includes the governor's initiative to increase county mental health funding by \$20 million was included in the 2023/24 budget. This funding will be distributed to counties using 2022/23 county mental health base funding amounts and will be separate from the Human Services Block Grant Program funding for those counties that participate in that program.

In addition, the 2023/24 budget included the proposed additional funding to help 20 state hospital residents transition back into the community through the Community Hospital Integration Projects Program (CHIPPS). The CHIPPS program is focused on developing and increasing the capacity of community mental health services and improving the process for discharging individuals from state hospitals into the community.

The \$100 million in ARPA funds appropriated to the department in 2022/23 for adult mental health services has been removed in the 2023/24 budget. As an alternative, this available funding has been added to a new appropriation to fund school mental health services (ARPA – School Mental Health Grants).

Other Mental Health initiatives that were not included in the 2023/24 budget include:

- \$5 million for one-time buildout costs of the 988 National Suicide and Crisis Lifeline, and
- \$4 million to expand diversion and discharge of individuals programs for individuals with mental illness currently in criminal justice system.

## *Intellectual Disabilities and Autism*

The 2023/24 budget included a decrease of \$10.8 million, or 9.7%, for Intellectual Disabilities (ID) State Centers. This decrease is a result of the closures of the Polk and Whitehaven State Centers. The expected savings from the closure of state centers was transferred to Home and Community Based programs.

The combined increase for the ID Community Base, ID Community Waiver, ID Intermediate Care Facilities, and Autism appropriations totals \$477.7 million, or 21.7%, over 2022/23. This increase was mainly enacted to offset the decrease and ending of enhanced federal funds.

The increase for the ID Community Waiver Program included the waitlist initiative, which will serve an additional 100 individuals in the Consolidated Waiver (uncapped waiver that includes residential services) that have an urgent need for these waiver services and 750 individuals in the Community Living Waiver (\$85,000 annual cap and no residential services).

The 2023/24 budget did not include the governor's ID initiatives for:

- \$3.4 million for expansion of the Lifesharing services, and
- \$700,000 to add ID specialty health assessment and coordination.

The enacted budget maintained funding in the Autism appropriation for autism provider payments at 2022/23 levels, as follows:

- \$600,000 to a behavioral health facility located in Lebanon County that also operates both a general acute care hospital and a behavioral health facility that has a center for autism and developmental disabilities in Lebanon County.
- \$300,000 to an institution of higher education in Philadelphia that provides autism education and diagnostic curriculum in Montgomery County.
- \$300,000 to an institution of higher education that provides autism education and diagnostic curriculum in Allegheny County.
- No less than the fiscal year 2014/15 amount (\$200,000) shall be allocated for programs that promote the health and fitness of individuals with developmental disabilities located in City of Philadelphia.
- \$600,000 to an entity that provides alternative educational services to individuals with autism and developmental disabilities in Lancaster County.





## *Child Development*

The 2023/24 budget had an increase in state General Funds of \$103.7 million over 2022/23 for the department's subsidized child care program. This increase includes the governor's initiative to maintain the base child care rates that were increased in 2022/23 with ARPA federal funds. In addition, the budget allocated \$25 million in state General Funds in the child care services appropriation to support families who would otherwise lose childcare subsidies upon exceeding the program income limit of 235% of the federal poverty income guidelines (FPIG). This funding will allow families to remain in the program so long as the household income does not exceed 300% of the FPIG or 85% of the state median income.

The County Child Welfare appropriation was funded as requested by the governor at \$1.49 billion, which is a \$10 million, or approximately 0.7%, increase over 2022/23.

The Early Intervention program, which provides services to infants and young children experiencing developmental delays, had an increase of \$15.4 million, or 9.1%, over 2022/23. As a portion of this program receives federal funding through the MA program, the main reason for this increase is to offset the loss of enhanced federal funds in the MA program.

## *Other*

The Quality Care Assessment, also called the Statewide Hospital Assessment, was reauthorized for an additional 5 years and is expected to end on June 30, 2028. The hospital assessment rates will increase in 2023/24, resulting in increased revenue to the department of \$368 million over 2022/23. This increased revenue has been accounted for in the 2023/24 budget.

The 2023/24 budget maintains funding at the same level as 2022/23 for the following appropriations:

- Nurse Family Partnership - \$14.1 million
- Domestic Violence - \$20 million
- Rape Crisis - \$11.9 million
- Breast Cancer Screening - \$1.8 million
- Human Services Development Fund - \$13.5 million
- Legal Services - \$4 million
- Homeless Assistance - \$18.5 million
- 211 Communications - \$750,000

There was an increase to Health Program Assistance and Services of \$3.3 million, or 9.1%, over 2022/23, and a \$1 million, or 32.5%, increase in state General Funds for Blind and Visual Services which will be allocated, as follows:

- \$4,084,000 to a statewide professional services provider association for the blind, and
- \$618,000 to provide specialized services and prevention of blindness services in City of Philadelphia,

The 2023/24 budget does not include the governor's initiative to increase the minimum Supplemental Nutrition Assistance Program (SNAP) benefit from \$23 to \$35 per month.

## **TOBACCO SETTLEMENT FUND**

Act 43 of 2017 authorized the governor to issue \$1.5 billion in bonds backed by future revenues from the Tobacco Master Settlement Agreement (MSA). The act established procedures for the resulting debt payments, which allowed for repayment either from MSA revenues or from general tax revenues.

The Fiscal Code continues the requirement that MSA revenues sufficient to make annual debt service payments must be deposited into the debt service account established by Act 43. Debt service payments will total \$115.3 million in 2022/23, representing nearly one-third of expected MSA revenues for the fiscal year. However, the Fiscal Code also continues to require revenues equal to the debt service amount to be transferred from cigarette tax collections and deposited into the Tobacco Settlement Fund (TSF). Consequently, the TSF is again held harmless for debt service costs in 2023/24.

The Fiscal Code maintains the same TSF distribution levels of various health-related programs and purposes from 2022/23 in the 2023/24 budget. The distribution is as follows:



- Tobacco Use Prevention and Cessation – 4.5%
- Health and Related Research – 12.6%
  - 70% to National Institute of Health grantees, formula-based
  - 30% remainder on as follows:
    - \$1 million for spinal cord injury research
    - Remainder on the following:
      - 75% for pediatric cancer research
      - 25% for capital and equipment grants to entities engaging in biotechnology research
- Health and Related Research (National Cancer Institute grantees, formula-based) - 1%
- Uncompensated Care – 8.18%
- Medical Assistance for Workers with Disabilities (MAWD) – 30%
- To be appropriated for other health-related purposes – 43.72%

The General Appropriations Act included the appropriations for the other health related purposes of \$3 million for Life Sciences Greenhouse in the Department of Community and Economic Development and \$154.5 million for Community HealthChoices in the Department of Human Services.

## LOTTERY FUND

The 2023/24 budget includes an estimated \$1.2 billion for senior programs. The table below provides a summary of the allocations for programs across different agencies.

There is an increase of \$20 million, or 14.8%, in the transfer to the Pharmaceutical Assistance Fund. This fund supports the Pharmaceutical Assistance Contract for Elderly (PACE) and PACE Needs Enhancement Tier (PACENET) programs which provide prescription drug assistance for eligible senior citizens.

The 2023/24 budget also includes \$5 million for the governor’s initiative to reduce the OPTIONS program waiting list, and an increase of \$1 million for grants to senior centers which will be used to increase participation and programming.

Lottery Fund Expenditures for Senior Programs (\$ amounts in millions)				
Agency/Appropriation	2022/23 Actual	2023/24 Enacted	\$ Change	% Change
<b>Department of Aging:</b>				
PENNCARE	\$282.8	\$287.8	\$5.0	1.8%
Transfer to Pharmaceutical Assistance Fund	\$135.0	\$155.0	\$20.0	14.8%
Pre-Admission Assessment	\$8.8	\$8.8	-	-
Caregiver Support	\$12.1	\$12.1	-	-
Grants for Senior Centers	\$2.0	\$3.0	\$1.0	50.0%
Alzheimer's Outreach	\$0.250	\$0.250	-	-
<b>Department of Human Services:</b>				
Medical Assistance - Community HealthChoices	\$349.0	\$349.0	-	-
Medical Assistance - Transportation Services	\$3.8	\$4.0	\$0.2	5.3%
<b>Department of Revenue:</b>				
Property Tax and Rent Assistance*	\$223.8	\$207.6	(\$16.2)	-7.2%
<b>Department of Transportation:</b>				
Transfer to the Public Transportation Trust Fund*	\$95.9	\$95.9	-	-
Older Pennsylvanians Shared Rides*	\$75.0	\$75.0	-	-
<b>Total Lottery Fund Expenditures for Senior Programs</b>	<b>\$1,188.4</b>	<b>\$1,198.4</b>	<b>\$10.0</b>	
<i>*Executive Authorizations are not included in the General Appropriations Act</i>				



## Property Tax/Rent Rebate Program Expansion

The funding for the Property Tax/Rent Rebate (PTRR) program for 2023/24 reflects a decrease of \$16.2 million (7.2%) over the prior year largely due to reduced program costs from individuals receiving cost-of-living adjustments and becoming ineligible under the income guidelines – a trend that has been occurring over the last decade.

Act 7 of 2023, signed into law in August 2023, expanded the PTRR program for the first time since 2006. The law increases the program’s income thresholds for homeowners and renters to \$45,000 and increases the maximum rebate that individuals can receive to \$1,000. In addition, the law adds a provision that will increase the income limits for standard and supplemental rebates annually with inflation. This expansion was included in the governor’s 2023/24 Executive Budget proposal.

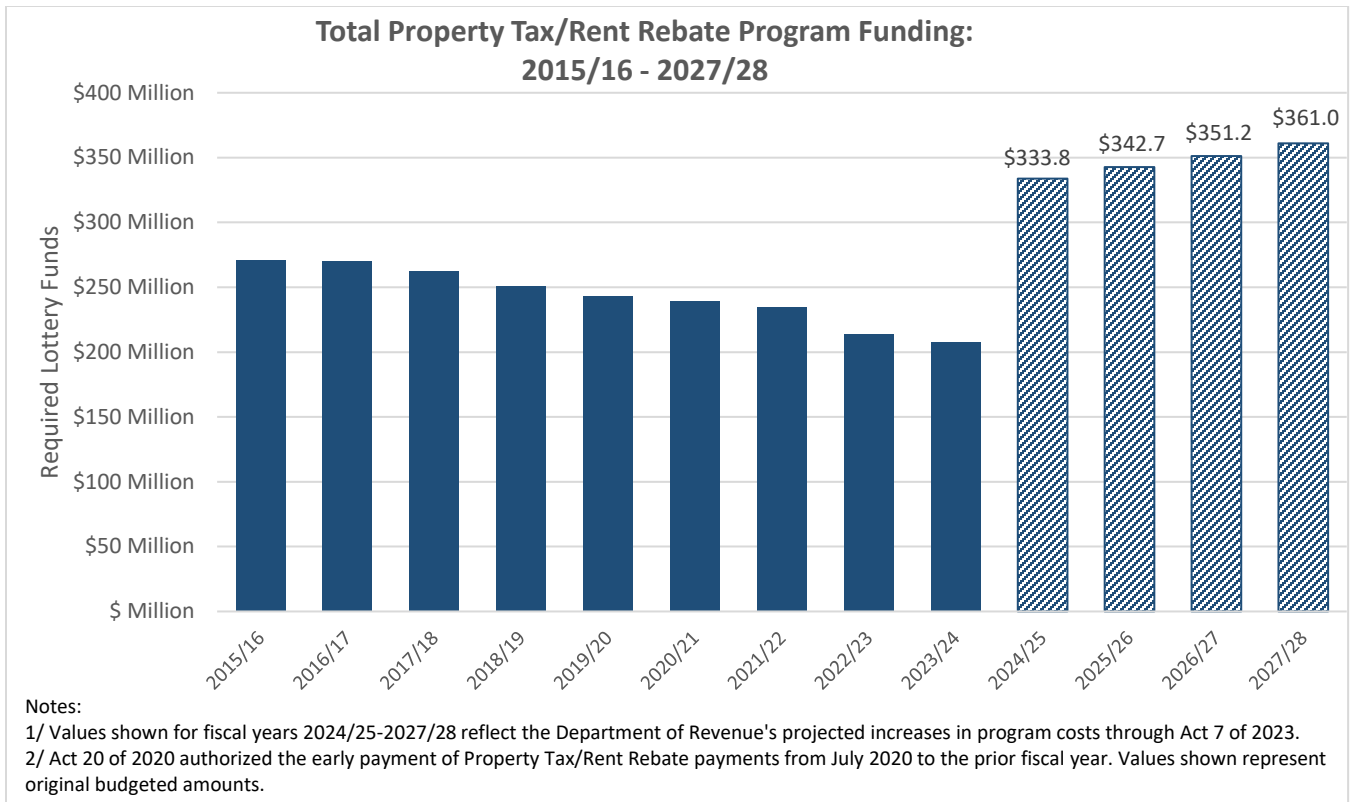
<b>Property Tax/Rent Rebate Program Expansion</b>			
<b>Prior Program Parameters</b>		<b>Act 7 Program Parameters</b>	
<b>Income Limits</b>	<b>Rebate Caps</b>	<b>Income Limits</b>	<b>Rebate Caps</b>
<b>Homeowners</b>			
Up to \$8,000	\$650	Up to \$8,000	\$1,000
\$8,001 - \$15,000	\$500	\$8,001 - \$15,000	\$770
\$15,001 - \$18,000	\$300	\$15,001 - \$18,000	\$460
\$18,000 - \$35,000	\$250	\$18,001 - \$45,000	\$380
<b>Renters</b>			
Up to \$8,000	\$650	Up to \$8,000	\$1,000
\$8,001-\$15,000	\$500	\$8,001 - \$15,000	\$770
		\$15,001 - \$18,000	\$460
		\$18,001 - \$45,000	\$380

These changes will take effect beginning with property taxes or rent paid in 2023, so individuals can begin applying for a rebate under the expanded parameters beginning in 2024. Although eligible individuals will be able to begin applying for property tax relief under the expanded PTRR program during the 2023/24 fiscal year, the initial costs associated with the expansion are shifted to 2024/25 because payment of rebates cannot begin until July 1 of each year, marking the start of the next fiscal year.

The program is estimated to cost \$333.8 million in 2024/25 under the expanded parameters – an increase of \$136.2 million compared to the pre-existing eligibility criteria. This cost is projected to gradually increase in subsequent fiscal years due to the annual income limit adjustments based on inflation. These increased costs will be supported through increased gaming transfers to the Lottery Fund from the Property Tax Relief Fund.

It is estimated that this expansion will allow 173,000 households to become eligible for the program and increase benefits for 398,000 current participants.





## **PENSIONS**

The enacted budget continued to fully fund the commonwealth’s obligations to its two major pension funds, the Public School Employees’ Retirement System (PSERS) and the State Employees’ Retirement System (SERS). After years of underfunding, Pennsylvania has now fully funded its employer contributions for nearly a decade (nine years for PSERS and eight years for SERS). As a result, and due to reforms contained in Act 120 of 2010 and Act 5 of 2017, employer contributions that were growing by large amounts each year have begun to level off, although they remain at a high level as a percent of total payroll.

State contributions comprise approximately half of the employer cost for public school employees’ retirement, with the remainder coming from school districts and other covered employers. The state share is contained in an appropriation within the Department of Education. For the 2023/24 fiscal year, this appropriation increased by \$9 million, or 0.3%, to a total of \$2.995 billion. This represented the smallest increase in either percentage or dollar terms in more than a decade.

Employer contributions for public employees in the SERS system do not exist as a single appropriation in the budget. Instead, contributions are contained within the personnel costs of appropriations throughout the budget. Approximately 40% of SERS contributions come from the General Fund, 52% come from federal or special funds and the remaining 8% come from nonstate participants in the system. Exact contribution amounts can only be forecast at this time as they will depend on employer payrolls, but are expected to increase by approximately \$36.5 million, or 1.5%, to a total of \$7.26 billion.

The budget package included Acts 6A and 7A of 2023, two of the “housekeeping” bills that are enacted each year to provide funding from specific sources to certain agencies. These acts funded the administrative budgets for PSERS and SERS, respectively. Each system receives an appropriation for its administration of the traditional defined benefit plan and a separate appropriation for the administration of the defined contribution plans that were established as part of Act 5 of 2017. For the 2023/24 fiscal year, the appropriations for PSERS’ defined benefit and defined contribution administration were \$57.5 million and \$1.2 million, respectively, representing increases of 3.7% and 24.56%. SERS’ was appropriated \$36 million for its defined benefit administration, an increase of 5.6%, and \$5.3 million for its defined contribution administration, an increase of 20.6%.



## **LABOR AND INDUSTRY**

State funding for the Department of Labor and Industry saw an overall increase of \$8.9 million, or 11.1%, to a total of \$89.6 million. This included a 5.6% increase for the department's general government operations to \$15.0 million. Funding for occupational and industrial safety increased by 21.3% to \$3.6 million. The budget also included \$3.5 million for a new appropriation for the Schools to Work program.

The enacted budget appropriated \$10.5 million for apprenticeship training, an increase of \$3.0 million or 40%. The states Centers for Independent Living received an increase of \$484,000, or 22.5%, to a total of \$2.6 million.

Funding for two of the commonwealth's assistive technology appropriations both received increased funding in the enacted budget. The appropriation for assistive technology financing, which supports the Pennsylvania Assistive Technology Foundation, increased by \$250,000 to \$1 million. The appropriation for Assistive Technology Demonstration and Training, which supports TechOWL at Temple University, increase by \$400,000 to \$850,000.

The Fiscal Code transferred \$65 million to the Service Infrastructure and Improvement Fund, which makes investments to improve the operations and administration of the commonwealth's unemployment compensation program.

## **PENNSYLVANIA HISTORICAL AND MUSEUM COMMISSION**

The Pennsylvania Historical and Museum Commission's enacted budget for 2023/24 is similar to its 2022/23 budget. The cultural and historical support appropriation, which funds grants and subsidies across the commonwealth, is flat-funded year-over-year at \$2 million. The general government operations appropriation, which supports the functioning of the Commission throughout the fiscal year, was increased by \$653,000, or 3.0%.

## **DEPARTMENT OF STATE**

The 2023/24 budget for the Department of State includes several changes compared to the 2022/23 enacted budget. Overall, the department's General Fund budget decreased by \$408,000, or 1.2%. The General Government Operations appropriation increased by \$3.19 million, or 52.4%, to a total of \$9.275 million. This increase will support the current programming and operational costs as well as upgrades to the notaries application system. The Statewide Uniform Registry of Electors (SURE) appropriation increased by \$1.683 million, or 14.3%, to a total of \$13.474 million. This increase will support continued efforts to modernize SURE and ensure the system best serves election administration needs of Pennsylvania. The Voter Registration line increased by \$44,000, or 8.8%, to a total of \$546,000. This increase will be utilized to maintain current programming.

These increases were offset largely by a decrease in the Publishing Constitutional Amendments line item. That line decreased from \$4.5 million to \$0, a 100% decrease. This appropriation is for nonrecurring costs to advertise and publish proposed constitutional amendments. In addition, the Lobbying Disclosure line decreased by \$152,000, or 21.3%, to a total of \$562,000. This decrease was largely driven by \$400,000 in nonrecurring costs for the agency's disclosure system and offset by an increase to continue current programming levels. Election Code Debt Service decreased by \$8,000, or 0.1%, to \$9.256 million. This decrease reflects the net effect on principal and interest requirements and other costs relating to debt service.

## **DEPARTMENT OF REVENUE**

The 2023/24 budget allocates an additional \$14.9 million, or 10.4%, to the Department of Revenue for General Government Operations (GGO). In prior fiscal years, the department received a separate appropriation in the General Appropriations Act from the restricted Enhanced Revenue Collection Account (ERCA) for expanded tax return reviews and tax collection activities. This budget shifts these funds into the department's GGO appropriation and eliminates ERCA altogether. This was a proposal that was initially included in the governor's executive budget because the activities previously funded through ERCA have become general functions across the department, rather than innovative tax collection activities, so the separate restricted account had become obsolete.



The Department of Revenue also received an increase of \$17.3 million, or 365%, to support the department's technology and process modernization efforts. This will include making improvements and additions to the integrated Pennsylvania Tax Hub (PATH) system.

## **COMMUNITY AND ECONOMIC DEVELOPMENT**

The 2023/24 budget for the Department of Community and Economic Development includes a \$164.201 million increase in funding, which equates to a 51.8% increase over the previous fiscal year. This increase is driven by several notable increases, including:

<b>DCED Appropriation</b>	<b>FY 2022/23</b>	<b>FY 2023/24</b>	<b>\$ Change</b>	<b>% Change</b>
Office of International Business Development	\$ 5,969	\$ 7,173	\$ 1,204	20.2%
Pennsylvania First	\$ 20,000	\$ 33,000	\$ 13,000	65%
Municipal Assistance Program	\$ 546	\$ 2,000	\$ 1,454	266.3%
Historically Disadvantaged Business Assistance	-	\$ 20,000	\$ 20,000	(new)
Workforce Development	\$ 5,000	\$ 8,000	\$ 3,000	60%
Hospital and Health System Emergency Relief	-	\$ 50,000	\$ 50,000	(new)
Whole Home Repairs	-	\$ 50,000	\$ 50,000	(new)

The General Government Operations appropriation increased by \$1.797 million, or 5.8%, to a total of \$32.544 million. The Office of Open Records received a \$268,000, or 7.4%, increase aimed at allowing the agency to meet the continued growing public demand for open records requests.

Several appropriations were increased with a focus on business attraction, job creation and workforce development, including:

- Office of International Business Development (World Trade PA) – \$1.204 million increase (20.2%)
- Pennsylvania First - \$13 million increase (65%)
- Historically Disadvantaged Business Assistance - \$20 million increase (new)
- Workforce Development - \$3 million increase (60%)

This budget also focused on assistance to municipalities for improving their fiscal position and effectively implementing services. The Municipal Assistance Program (MAP) received an increase of \$1.454 million, or 266%. MAP provides financial assistance for communities to comprehensively plan around community revitalization efforts, improvement processes, and sound management of development activities. The Strategic Management Planning Program (STMP), aimed at helping the financial position of municipalities, received an increase of \$1.250 million, or 52.8%.

Previously funded using federal ARPA funds, the Whole Home Repairs Program was created as a General Fund appropriation of \$50 million. However, enabling legislative language was not included in the Fiscal Code. Therefore, this funding remains unspent and will lapse back to the General Fund at the end of the fiscal year.

The Invent Penn State appropriation, which was to support entrepreneurial collaborations at campus locations across the state, was not renewed.

The Fiscal Code bill allows DCED to designate three additional Keystone Opportunity Expansion Zones (KOEZs) based on the criteria as specified in the bill. Once designated, businesses in these additional KOEZs will be entitled to the tax benefits as prescribed by the KOEZ guidelines and the Fiscal Code.



## ENVIRONMENTAL PROTECTION

The Department of Environmental Protection's enacted General Fund budget is \$202.95 million, which provides an increase of \$19.94 million or 10.9% over 2022/23. The department's major appropriations account for the majority of the year-over-year changes:

- General Government Operations - \$1.67 million increase
- Environmental Program Management - \$3.97 million increase
- Environmental Protection Operations - \$13.73 million increase

Similar to the prior fiscal year, for 2023/24 the Infrastructure Investment and Jobs Act (IIJA) delivers a significant infusion of Federal funds for environmental protection. Furthermore, the passage of the Inflation Reduction Act (IRA) provides additional Federal funds, to enhance the department's duties. For 2023/24, IIJA related appropriations deliver \$1.03 billion in Federal funds, which represents an increase of \$817.34 million over 2022/23. In similar fashion, the Inflation Reduction Act related appropriations, provide a total of \$342.4 million in 2023/24, whereas in the prior fiscal year there were no appropriated funds. In total, the combined increase in Federal funding related to IIJA and IRA is \$1.16 billion.

As it relates to funding for Water Commission, which are part of the agency's appropriations, the budget provides level funding for those Commissions as compared to 2022/23.

## CONSERVATION AND NATURAL RESOURCES

The department's enacted General Fund (GF) budget is \$152.11 million, which represents an increase of \$163,000 or 0.11% over 2022/23. The majority of the change within the GF is included within the Heritage and Other Parks appropriation, which receives an increase of \$148,000.

The agency's three major appropriations are level funded within the GF, however they receive additional funding within the Oil and Gas Lease Fund (OGLF).

- General Government Operations - \$4.38 million combined increase
- State Parks Operations - \$11.67 million combined increase
- State Forests Operations - \$4.13 million combined increase

Lastly, to address the infrastructure needs of our state parks and provide continued investment, the budget includes \$56 million increase for State Parks and Forest Facilities, within the Oil and Gas Lease Fund.

2023/24 DCNR Major Appropriations Summary				
General Fund and Oil & Gas Lease Fund Comparison				
(\$ amounts in thousands)				
Funding Source/FY	Actual	Enacted	Enacted Less Actual	
	2022/23	2023/24	\$ Chng	% Chng
<b>General Fund (GF)</b>				
General Gov't Ops	\$ 29,465	\$ 29,465	\$ -	0.0%
State Parks Ops	\$ 60,787	\$ 60,787	\$ -	0.0%
State Forests Opts	\$ 44,431	\$ 44,431	\$ -	0.0%
<b>GF Subtotal</b>	<b>\$ 134,683</b>	<b>\$ 134,683</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Oil &amp; Gas Lease Fund (OGLF)</b>				
General Gov't Ops	\$ 14,790	\$ 19,178	\$ 4,388	29.7%
State Parks Ops	\$ 20,500	\$ 32,169	\$ 11,669	56.9%
State Forests Opts	\$ 20,500	\$ 25,233	\$ 4,733	23.1%
State Parks/Forest Facilities	\$ 56,000	\$ 112,000	\$ 56,000	100.0%
<b>OGLF Subtotal</b>	<b>\$ 111,790</b>	<b>\$ 188,580</b>	<b>\$ 76,790</b>	<b>68.7%</b>
<b>GF/OGLF Total</b>	<b>\$ 246,473</b>	<b>\$ 323,263</b>	<b>\$ 76,790</b>	<b>31.2%</b>



## **AGRICULTURE**

The Department of Agriculture's enacted 2023/24 General Fund budget is \$207.37 million. Unlike prior budgets, the General Assembly did not enact funding for the University of Pennsylvania's nonpreferred appropriations, which are traditionally included within the agency's overall budget. In comparing the department's year-over-year changes, we need to exclude the budget related to the University of Pennsylvania in 2022/23, to properly differentiate between the two fiscal years. The resulting change represents an increase of \$14.46 million or 7.5% more than 2022/23.

Components of the State Food Purchase Program (SFPP) appropriation, listed below, some of which received additional funding:

- State Food Purchase Program
- Pennsylvania Agricultural Surplus System – receives \$3 million increase
- Emergency Food Assistance Program (TEFAP)
- TEFAP Distribution
- Senior Food Box Program – receives \$1 million in State funding, where previously the program was funded only with Federal dollars

As part of efforts to combat food deserts and address food insecurity, the budget provides \$2 million for the Fresh Food Financing Initiative (FFFI), whereas this initiative was not previously funded.

The budget further provides \$34 million for Agricultural Preparedness and Response. Additionally, the Fiscal Code provides:

- No less than \$25 million shall be used for grants
- No more than \$2 million to be utilized for the establishment of highly pathogenic avian influenza Rapid Response Team
- No less than \$6 million shall be used for costs incurred by the Animal Health and Diagnostic Laboratory System (PADLS) in preparing and responding to an avian influenza outbreak

The enacted budget provides level funding for the Penn State's Agricultural Extension appropriation in the amount of \$57.7 million.

This budget continues the trend of delivering funding for the components of the PA Farm Bill. The 2023/24 budget delivers \$17.4 million for those components.

Lastly, the enacted 2023/24 budget delivers \$5.35 million increase in General Fund dollars for the Animal Health and Diagnostic Commission. It is important to highlight that the increase is related to the reduction, in the same amount, of funding within the Race Horse Development Fund. Combined, from both the General Fund and the Race Horse Development Fund, the Animal Health and Diagnostic Commission receives the same funding as 2022/23, to the tune of \$11.35 million.

## **TRANSPORTATION**

With the majority of its operating budget derived from the Motor License Fund (MLF), PennDOT's 2023/24 MLF State appropriations are \$2.39 billion, which represents \$206.05 million or 9.4% increase over 2022/23. The department's budget can be broken down into three components:

- General Government Operations
- Safety Administration and Licensing
- State & Local Highway and Bridge

Please refer to the table on the following page for changes associated within each component.





MLF PENNDOT STATE APPROPRIATIONS				
<i>\$ amounts in thousands</i>				
	Actual	Enacted	Enacted less Actual	
Appropriation	2022/23	2023/24	\$ Chng	% Chng
<b>General Government Operations</b>				
General Government Operations	\$ 73,193	\$ 82,399	\$ 9,206	12.6%
Welcome Centers	\$ 4,323	\$ 4,640	\$ 317	7.3%
<b>General Gov't Operations Subtotal</b>	<b>\$ 77,516</b>	<b>\$ 87,039</b>	<b>\$ 1,479</b>	<b>1.9%</b>
<b>Safety Administration &amp; Licensing</b>				
Driver and Vehicle Services	\$ 242,258	\$ 236,055	\$ (6,203)	-2.6%
Homeland Security - Real ID	\$ 30,135	\$ 31,308	\$ 1,173	3.9%
<b>Safety Admin &amp; Licensing Subtotal</b>	<b>\$ 272,393</b>	<b>\$ 267,363</b>	<b>\$ (5,030)</b>	<b>-1.8%</b>
<b>State &amp; Local Hwy/Bridge</b>				
Highway Safety & Improvement	\$ 500,000	\$ 650,000	\$ 150,000	30.0%
Highway Maintenance	\$ 960,000	\$ 1,033,412	\$ 73,412	7.6%
Highway Systems Technology & Innovation	\$ 16,000	\$ 16,000	\$ -	0.0%
Reinvestment - Facilities	\$ 16,500	\$ 16,500	\$ -	0.0%
Municipal Roads and Bridges	\$ 30,000	\$ 30,000	\$ -	0.0%
Local Road Maintenance & Constr Pmts	\$ 255,000	\$ 246,195	\$ (8,805)	-3.5%
Supplemental Local Rd Maintenance & Constr Pmts	\$ 5,000	\$ 5,000	\$ -	0.0%
Maintenance & Constr of County Bridges	\$ 5,000	\$ 5,000	\$ -	0.0%
Municipal Traffic Signals	\$ 45,000	\$ 40,000	\$ (5,000)	-11.1%
<b>State &amp; Local Hwy/Bridge Subtotal</b>	<b>\$ 1,832,500</b>	<b>\$ 2,042,107</b>	<b>\$ 209,607</b>	<b>11.4%</b>
<b>MLF STATE TOTAL</b>	<b>\$ 2,182,409</b>	<b>\$ 2,396,509</b>	<b>\$ 206,056</b>	<b>9.4%</b>

A component worth noting is funding related to the Infrastructure Investments and Jobs Act (IIJA). Specifically for 2023/24 IIJA funding to the tune of \$792.38 million, would be used to offset expenditures within the Highway Maintenance appropriation and State Bridge EA.

## **CORRECTIONS**

The budget appropriates \$2.89 billion to the Department of Corrections, \$157.8 million, or 5.8% more than 2022/23. The vast majority (\$2.2 billion) is for state correctional institutions.

State Field Supervision received a \$15.3 million increase. The Parole Board, the Board of Pardons, and the Sexual Offenders Assessment Board each received small increases. The enacted budget included \$1.5 million in the State Field Supervision appropriation for the purchase of body worn cameras.

The appropriation for the Office of the Victim was restored in this budget at \$3.5 million. The line item was eliminated in the 2020/21 and 2021/22 budgets, although the office continued to receive funding through the Department of Correction's General Government Operations appropriation.



<b>Major Department of Corrections Appropriations</b>				
(\$ amounts in thousands)	2022/23	2023/24	\$ Change	% Change
Medical Care	\$ 338,156	\$ 357,965	\$ 19,809	5.9%
Correctional Education and Training	\$ 43,833	\$ 43,833	\$ -	0.0%
State Correctional Institutions	\$ 2,127,197	\$ 2,248,360	\$ 121,163	5.7%
GGO	\$ 43,097	\$ 39,931	\$ (3,166)	-7.3%
State Field Supervision	\$ 158,090	\$ 173,433	\$ 15,343	9.7%
Pennsylvania Parole Board	\$ 12,774	\$ 12,967	\$ 193	1.5%
Sexual Offenders Assessment Board	\$ 6,891	\$ 7,349	\$ 458	6.6%
Board of Pardons	\$ 2,157	\$ 2,700	\$ 543	25.2%
Office of Victim Advocate	\$ -	\$ 3,489	\$ 3,489	

## **STATE POLICE**

The General Fund appropriation for state police general government operations is \$958.4 million. This amount is \$238.2 million, or 33.1%, more than 2022/23. PSP general government operations are funded by both the General Fund and the Motor License Fund. Appropriations for general government operations from the Motor License Fund decreased by \$137.7 million, or 32.5%, to \$286.5 million. Combined General Fund and Motor License Fund appropriations for general government operations increased by \$100.5 million, or 8.8%.

State Police: Major Fund Summary		2022/23	2023/24	1-Year Change	
(\$ amounts in thousands)		Available	Enacted	\$ Change	% Change
<b>General Government Operations</b>	<b>General Fund</b>	\$ 720,208	\$ 958,449	\$ 238,241	33.1%
	<b>Motor License Fund</b>	\$ 424,285	\$ 286,546	\$ (137,739)	-32.5%
	<b>GF + MLF</b>	\$ 1,144,493	\$ 1,244,995	\$ 100,502	8.8%
<b>Total</b>	<b>General Fund</b>	\$ 742,713	\$ 982,037	\$ 239,324	32.2%
	<b>Motor License Fund</b>	\$ 500,000	\$ 375,000	\$ (125,000)	-25.0%
	<b>GF + MLF</b>	\$ 1,242,713	\$ 1,357,037	\$ 114,324	9.2%

The 2023/24 budget continued the multi-year effort to reduce reliance on the Motor License Fund by the state police. Total state police expenditures from the Motor License Fund for 2023/24 were \$375 million, down from \$500 million in 2022/23.

The budget includes funding for four new cadet classes with the target of graduating approximately 384 new troopers. Act 34 of 2023 (The Fiscal Code) contained new language adjusting the State Police trooper cap to 4,410, up from the current cap of 4,310. As with the current cap, officers and enlisted members assigned to the Turnpike, the Delaware River Joint Toll Bridge Commission, gaming enforcement and liquor control enforcement do not count against the cap.

The executive budget included a \$13 million increase for Patrol Vehicles for the state police to maintain fleet safety and to maintain the appropriate replacement cycle of the current aircraft fleet.

## **COMMISSION ON CRIME AND DELINQUENCY**

The 2023/24 budget appropriates \$23.6 million to the Pennsylvania Commission on Crime and Delinquency, a \$6.7 million, or 39.3%, increase from 2022/23. From this amount, the Fiscal Code, allocated \$2 million to a nonprofit organization to monitor conditions in State and county correctional institutions (PA Prison Society). The Fiscal Code also assigned \$1.75 million from this amount for the nonnarcotic medication substance use disorder treatment program. This funding was allocated to the Department of Corrections in prior years in the same amount.

The enacted budget provides a new \$7.5 million appropriation for Indigent Defense. The Fiscal Code established the Indigent Defense Advisory Committee within the Pennsylvania Commission of Crime and Delinquency and codified the duties and responsibilities of the committee.



The Office of Safe Schools Advocate, shifted from the Department of Education to PCCD in 2021/22, and funding for the Improvement of Adult Probation Services, shifted from the Department of Corrections in 2021/22, were both flat funded.

\$40 million in State funds were appropriated for Violence Intervention and Prevention Programs to be used for Community Violence reduction programs. This represents an increase of \$10 million in State funding from 2022/23, but a decrease of \$65 million decrease in total funding due to the loss of \$75 million in federal funds.

Community Violence Prevention Grants allow organizations like YMCAs and Boys and Girls Clubs, as well as municipalities and businesses to address the gun and school violence epidemics happening in neighborhoods across our commonwealth. In prior years, demand for grants has eclipsed available funds. Funding for this program, prior to 2021/22, was transferred from the Judicial Computer System Augmentation Account.

Examples of funded programs include:

- The Pittsburgh Bureau of Police Community Engagement Office used Community Violence Prevention/Reduction funds to fund patrol officer participation in Youth Connections Programming, develop and train Youth Advisory Council members, and provide Implicit Bias training to teachers and staff of partner schools.
- The Temple University of the Commonwealth System of Higher Education used Community Violence Prevention/Reduction funds to provide a trauma informed, evidence-based violence prevention model that highlights a strong partnership between a high-risk public high school and the surrounding neighborhoods and community.

Not included in the budget was a requested \$3 million transfer to the Crime Victims Services and Compensation Fund.

## **JUDICIARY**

This budget appropriates \$395.1 million in state funds to the Judiciary, a \$32.7 million or 9.0% increase. Funding for the judiciary has remained relatively flat for several fiscal years.

<b>Judiciary Appropriation Increases</b>				
<b>(\$ amounts in thousands)</b>	<b>2022/23</b>	<b>2023/24</b>	<b>\$ Change</b>	<b>% Change</b>
Supreme Court	\$ 57,329	\$ 63,870	\$ 6,541	11.4%
Superior Court	\$ 33,208	\$ 35,491	\$ 2,283	6.9%
Commonwealth Court	\$ 21,748	\$ 22,906	\$ 1,158	5.3%
Court of Common Pleas	\$ 126,553	\$ 139,452	\$ 12,899	10.2%
Community Courts - MDJs	\$ 85,217	\$ 92,892	\$ 7,675	9.0%
Philadelphia Municipal Court	\$ 7,950	\$ 9,055	\$ 1,105	13.9%
Judicial Conduct Board	\$ 2,617	\$ 2,720	\$ 103	3.9%
Court of Judicial Discipline	\$ 618	\$ 618	\$ -	0.0%
Other	\$ 27,129	\$ 28,102	\$ 973	3.6%

Act 22 of 2023 (HB 735) reauthorized the \$10 and \$11.25 judicial surcharges used for the operation of the judicial department and expanded the \$11.25 fee to include summary traffic citations. These fees are imposed on most initial court filings, recorder of deeds transfers, mortgages or property transfers, criminal convictions, and summary traffic citations. These fees expired on July 31, 2023, and will sunset again on July 31, 2025. The legislation also suspended the \$15 million transfer from the Judicial Computer System Augmentation Account to the School Safety and Security Fund for 2023/24.

## **JUVENILE COURT JUDGE'S COMMISSION**

The JCJC received \$3.2 million for 2023/24, an increase of \$86,000 or 2.8% over 2022/23. Grants for juvenile probation services are level funded at \$18.9 million.



## **EMERGENCY MANAGEMENT AGENCY**

The budget appropriated \$14.3 million to the Pennsylvania Emergency Management Agency (PEMA) for general government operations, an increase of 28.3% from the 2022/23 fiscal year. The Office of the State Fire Commissioner received \$3.1 million, a 10.9% increase.

The budget maintained funding for the Red Cross Extended Care Program at \$350,000. The budget also provided \$2 million for Hazard Mitigation. Disaster Relief was unfunded due to updated disaster relief requirements and a Federal Emergency Management Agency (FEMA) match increase from 75% to 100% of eligible costs.

Within the PEMA appropriation, \$5 million was directed to State Disaster Assistance. The funds will be available for emergencies and non-federally declared disasters. This includes critical needs assistance or repair to damage to residential properties that were not covered by insurance or other funding sources. Act 34 of 2023, the Fiscal Code, also included language earmarking funds for this purpose. PEMA is required to publish guidelines to implement this program.

The Emergency Medical Services Operating Fund appropriation for emergency medical services increased from \$10.2 million to \$10.6 million, an increase of 3.9%.

The Fiscal Code also included language to extend the surcharge on phone bills for 911 emergency services, which had been set to expire. It also increased that surcharge from \$1.65 to \$1.95 effective March 1, 2024.

## **MILITARY AND VETERANS AFFAIRS**

Within the Department of Military and Veterans Affairs (DMVA), the appropriation for general government operations increased by \$3.4 million, or 11.6%, to \$32.9 million. The appropriation for Veterans' Outreach Services, which provides funding for veterans' services organization such as the American Legion and the Veterans of Foreign Wars to conduct connect veterans with benefits and services, increased by \$16.6% to \$4.4 million.

Spending on Pennsylvania's six veterans' homes also increased by \$9.7 million, or 6.9%, to a total of \$151.2 million. This was accompanied by an increase of \$41 million, or 51.9%, in funding for federal construction grants.

The budget also included an additional \$500,000 for the National Guard Youth Challenge Academy, bringing total state spending to \$2.2 million. This budget is supplemented by approximately \$6 million in federal matching funds.

Funding for special state duty missions conducted by the Pennsylvania National guard increased was doubled to \$70,000.

## **ROW OFFICES**

### **Attorney General**

The budget made significant increases to the Office of Attorney General appropriations for general government operations, gun violence, school safety, child protection, and drug crime enforcement. The Joint Local-State Firearm Taskforce – a collaborative effort of the OAG, the Philadelphia Police Department, and the Philadelphia County District Attorney's Office – received an increase of \$6.4 million, or 83.8%.

The Fiscal Code permitted the Attorney General to spend up to an additional \$4 million for general government operations from a set list of restricted accounts.



<b>Office of Attorney General Appropriation Increases</b>				
(\$ amounts in thousands)	2022/23	2023/24	\$ Change	% Change
General Government Operations	\$ 50,199	\$ 52,709	\$ 2,510	5.0%
Drug Law Enforcement	\$ 52,352	\$ 59,668	\$ 7,316	14.0%
Joint Local-State Firearm Task Force	\$ 7,601	\$ 13,969	\$ 6,368	83.8%
Child Predator Interception	\$ 6,207	\$ 7,018	\$ 811	13.1%
Tobacco Law Enforcement	\$ 1,406	\$ 1,691	\$ 285	20.3%
School Safety	\$ 1,996	\$ 2,346	\$ 350	17.5%

### Auditor General

Funding for the Auditor General increased by \$1.9 million, or 4.6%, over the 2022/23 fiscal year to a total of \$43.8 million. Funding for the Board of Claims increased by \$167,000, or 9.4%.

### Treasury

Funding for the Treasury Department increased by \$5.7 million, or 14.5%, over the 2022/23 fiscal year to a total of \$45.4 million. Funding for the Board of Finance and Revenue increased by \$109,000, or 3.3%.

