



2021/22 Budget Summary - June 25, 2021

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Revenue

The department issued a recertified official estimate in November 2020 of \$36.95 billion for 2020/21. Revenues in the second half of the fiscal year strongly outperformed the estimate. While there are a few days left in the fiscal year, 2020/21 revenues are on track to finish more than \$3.1 billion above estimate. The official estimate for 2021/22 has not yet been certified, but a preliminary estimate for General Fund revenue for 2021/22 is \$38.54 billion.

Tax Code amendments that accompany the budget package include a variety of changes but no broad-based changes to rates or base. The most notable changes are the addition of a sales tax exemption for computer data center equipment, sales tax exemptions on helicopter simulators, sales tax exemptions on breastfeeding supplies, tax credit integrity language in response to a 2019 grand jury investigation and an apportionment change to the Manufacturing Innovation and Reinvestment Deduction. Additional changes include restructuring of internal qualifications of the film tax credit and concert tour tax credit, date changes to Keystone Opportunity Expansion Zones and several other minor changes and technical fixes. The net cost is estimated at \$33.9 million in 2021/22 and \$92.9 million in 2022/23. For more details, please see [Appendix](#) for Tax Code summary.

Property Tax Relief

Property tax relief distributions are expected to remain consistent with prior years. The Budget Secretary certified \$735.5 million in total property tax relief distributions in 2021 for homestead relief and the Property Tax/Rent Rebate Program, with \$621.3 million of that for homestead relief.

Rainy Day and Special Fund Transfers

- Includes \$145 million supplemental appropriation to repay part of the loans from the Workers' Compensation Security Fund. \$145 million was transferred earlier in 2021 to establish the Hospitality Industry Recovery Program.
- Includes \$86.479 million in 2020/21 as a full repayment of the \$100 million loan from the Underground Storage Tank Indemnification Fund that was issued in 2002.

Human Services

- 2020/21 requested supplemental funding is included at the governor's requested amount except for a cash flow only adjustment for the Capitation appropriation between the current year and budget year. Items of note related to the governor's supplemental request:
 - One-time revenue transfer assumption from the Pennsylvania Professional Liability Joint Underwriting Association (JUA) has been moved from 2020/21 to 2021/22
 - Supplemental funding requested in the Spring Update for Community HealthChoices has been reduced by \$90 million with the funds now being transferred from the 2020/21 Lottery Fund balance
- The governor's executive budget proposal assumed the enhanced federal medical assistance percentage (FMAP) under the Families First Coronavirus Response Act for programs that earn FMAP for the entire 2021/22 fiscal year and reduced General Fund need for those programs accordingly. However, the enacted budget assumes the enhanced FMAP is available through December 31, 2021, and all General Funds have been restored for the change in assumption.
- Includes the dissolution of the Children's Health Insurance Administration appropriation as proposed by the governor's executive budget. The funding for personnel costs is now included in the County Administration - Statewide appropriation and operating costs of the program are included in the Children's Health Insurance Program appropriation.
- Administrative and state-owned facility appropriations are funded at the governor's requested amounts except for Intellectual Disabilities - State Centers, which is flat funded at the 2020/21 amount.
- The Community HealthChoices appropriation does not include any consideration for a calendar year 2020 risk corridor payment, which may lead to a supplemental funding need within the 2021/22 fiscal year.
- The Long-Term Care Managed Care appropriation includes additional funding for a LIFE rate increase. It is estimated that the additional funding will provide for approximately 3 percent rate increase.
- \$13.8 million to serve 832 individuals with intellectual disabilities waiting for services
- \$1 million increase for Legal Services requested by the governor, plus an additional \$500,000.



- Additional \$1 million each for Domestic Violence and Rape Crisis
- All costs included for the requested increase in the minimum wage have been removed in the enacted budget.
- Restores most legislative initiative funding to at least 2020/21 levels and all other programs are funded at the governor's requested amount with reasonable adjustments for updated cost and caseload.

Education

- \$300 million, or 4.8 percent, increase for basic education funding.
 - \$200 million distributed through the fair funding formula, bringing the total share of formula-driven funds to 13.7 percent.
 - \$100 million distributed to the 100 most underfunded school districts (PA has 500 school districts) through the new Level Up supplement.
- \$50 million, or 4.2 percent, increase for special education funding.
- \$30 million, or 10.7 percent, increase for early education -- split \$25 million for Pre-K Counts and \$5 million for Head Start Supplemental Assistance.
- \$11 million, or 3.4 percent, increase for Early Intervention for ages 3-5.
- \$190 million increase for PlanCon to pay for old projects using current General Fund revenues rather than bond debt.
- Negative 2020/21 supplementals and reductions to the estimated 2021/22 amounts for Pupil Transportation and School Employees' Social Security (including the set aside in the basic education appropriation) reflect the latest data available; although, the 2021/22 Pupil Transportation figure may be too conservative of an estimate.
- The school code raises the cap for the Educational Improvement Tax Credit (EITC) program from \$185 million to \$225 million, a \$40 million or 21.6 percent increase. The entire increase goes toward the scholarship organizations program which benefits private school students.

Higher Education

Institutions

- PA State System of Higher Education: no increase for state funding, but \$50 million is appropriated for COVID Relief from federal American Rescue Plan Act resources.
- Level funding for the state-related universities (Penn State, Pitt, Temple, Lincoln), and the Thaddeus Stevens College of Technology.
- \$1.4 million increase for community college operating costs. This increase will support the new Erie Community College.
- \$3.2 million increase for community college capital reimbursements, supporting buildings and facilities. This increase will help Erie Community College with start-up costs.

PHEAA Programs

- Level funding for the PHEAA programs, including the State Grant Program, Ready to Succeed Scholarships, Institutional Assistance Grants for private colleges and universities, the Bond-Hill Scholarships and the Cheyney Keystone Academy.

General Services

- \$1.57 million increase for General Government Operations to fund initiative to maintain and mobilize the state's inventory of essential supplies, including personal protective equipment (PPE)
- \$1.57 million increase to Capitol Police Operations
 - \$973,000 in personnel
 - \$600,000 for enhanced security
- \$3.44 million increase for Rental & Municipal Charges to fund lease costs associated with initiative to maintain and mobilize the state's inventory of essential supplies, including PPE
- \$649,000 increase for Excess Insurance Coverage, as insurance premium costs continue to rise



Conservation & Natural Resources

- Department funded as proposed by the governor, with one exception:
 - General Fund changes
 - \$1.63 million increase for General Government Operations
 - \$2.55 million increase for State Forests Operations (\$1 million less than Exec. Budget)
 - \$1 million decrease in Oil & Gas Lease Fund utilization

Environmental Protection

- Department funded as proposed by the governor, including:
 - General Fund resources
 - \$1.66 million increase for General Government Operations
 - \$2.12 million increase for Environmental Program Management
 - \$526,000 increase for Chesapeake Bay Agricultural Source Abatement
 - \$3.83 million increase for Environmental Protection Operations
 - \$4.29 million increase for Black Fly Control & Research
 - ✓ To make spraying available throughout the entire season and increase treated acres
 - Water Commissions level funded to 2020/21

Agriculture

- General Fund changes
 - \$1.82 million increase for General Government Operations, as proposed by the governor
 - \$3 million increase for State Food Purchase appropriation (\$1 million above governor's proposal)
 - Appropriation provides funding for:
 - ✓ State Food Purchase Program (SFPP) - \$2 million increase
 - ✓ Pennsylvania Agricultural Surplus System (PASS) - \$1 million increase
 - ✓ Emergency Food Assistance Development Program (TEFAP)
 - ✓ TEFAP Distribution

Transportation

- Department changes related to the Motor License Fund (MLF), with the exception of stimulus funds allocation
 - Highway & Safety Improvements:
 - \$20 million increase
 - Allocation of \$279 million from American Rescue Plan Act (ARPA) funds
 - \$56 million increase for Highway Maintenance
 - \$11 million increase for Facilities Reinvestment
 - \$17 million increase for Driver & Vehicle Services
 - \$30 million increase for Municipal Traffic Signals

Health

- Administrative appropriations are funded at the governor's requested amount, including updated funding requests submitted in the spring for additional personnel funding to fill critical public health related positions.
- Funding is included to establish a new Delaware County Health Department and a new Lackawanna County Health Department effective January 1, 2022. Funding is not included to enable DOH to pay all county and municipal health departments at the maximum reimbursement levels.
- Restores legislative initiative funding to at least 2020/21 levels and all other programs are funded at the governor's requested amount.

State Police

- \$258 million increase for General Government Operations
 - A portion of this increase is needed to replace federal funding received in 2020/21 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act
 - PSP received \$226 million in 2020/21 in Federal CARES Coronavirus Relief Funds



- After accounting for the 2020/21 Coronavirus Relief Funds, General Government Operations is increasing \$32.1 million
 - This increase offsets the legislated annual decrease in the Motor License Fund
- Law Enforcement Information Technology, Municipal Police Training, and the Automated Fingerprint Identification System are all flat funded
- \$5 million, or 42 percent, decrease in funding for the Statewide Public Safety Radio System due to nonrecurring system implementation costs
- The Pennsylvania Instant Check System is level funded at 2020/21 levels
 - \$1.3 million less than requested in the governor's executive budget proposal

Criminal Justice

- \$2 million decrease from 2020/21 in General Government Operations
- \$2.78 million for the Office of Victim Advocate funded out of General Government Operations
- \$99 million increase for Medical Care
 - This increase replaces \$99 million in federal funding received in 2020/21 under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- \$1.147 billion increase for State Correctional Institutions
 - This increase replaces \$1.157 billion in federal funding received in 2020/21 under the CARES Act.
- After accounting for 2020/21 Coronavirus Relief Funds:
 - Medical Care is funded at 2020/21 levels
 - State Correctional Institutions are essentially funded at 2020/21 levels with a 0.5 percent decrease, or approximately \$10 million decrease in funding
- \$4.8 million increase for State Field Supervision
- \$262,000 increase for the Parole Board

PCCD

- \$1.75 million, or 18 percent, increase in funding for General Government Operations
- The Office of Safe Schools Advocate is flat funded in 2021/22
- In 2020/21, the Office of Safe Schools Advocate was shifted from the Department of Education to PCCD
- \$30 million for Violence Intervention and Prevention Programs to be used for Community Violence reduction programs
- Support for grants to local criminal justice agencies and non-profits -- including programs to divert low-level offenders from incarceration, support drug courts, and provide for victim services -- are all level funded

PEMA

- \$2.8 million, or 21 percent, decrease in funding for General Government Operations
 - \$2 million is for nonrecurring program costs
- The Office of the State Fire Commissioner is nearly flat funded, with just a \$30,000 decrease
- State funding for Disaster Relief is unnecessary due to updated disaster relief requirements and a Federal Emergency Management Agency (FEMA) match increase from 75 percent to 100 percent of eligible costs

DMVA

- \$6.2 million, or 19.0 percent, decrease for General Government Operations due to the completion of the P25 radio upgrade
- \$8.3 million, or 8.1 percent, increase in funding for Veterans' homes, including funding for new personnel for the adult day health care program at the Southeastern Veterans Center

Judiciary

- Flat funded at 2020/21 levels
- Fiscal code temporarily eliminates the \$15 million transfer from the Judicial Computer System Augmentation Account to the School Safety and Security Fund



Juvenile Court Judges Commission

- Flat funded at 2020/21 levels

Community and Economic Development

- Under executive offices, \$5 million is appropriated to the Commonwealth Financing Authority to support the Unserved High-Speed Broadband Funding Program Act (Act 132 of 2020).
- \$1.949 million increase in funding for General Government Operations
- \$1.675 million decrease for the Local Municipal Relief appropriation
- Eliminates the \$5 million State Facility Closure Transition Program appropriation
- Eliminates the \$750,000 appropriation for Public Television Technology

Department of State

- \$1.5 million increase in funding for General Government Operations
- \$4.48 million increase for the Statewide Uniform Registry of Electors appropriation
- \$23,000 decrease for voter registration and education
- Establishes a \$400,000 Publishing Federal Reapportionment Maps appropriation
- Establishes a \$ 2.5 million Publishing State Reapportionment Map appropriation
- Eliminates the \$10,000 Electoral College appropriation

Labor and Industry

- \$220,000 to support the Deaf-Blind Support Service Provider program (within general government operations)
- \$25,000 increase for assistive technology financing, through the PA Assistive Technology Foundation

Row Offices

- \$1.9 million increase for the Office of the Attorney General, including a 1.6 percent increase for General Government Operations and a \$300,000 increase for the Joint Local-State Firearm Task Force
- \$2.7 million increase, or 7.5 percent, for the Auditor General for its General Government Operations
- \$1.5 million increase, or 4.2 percent, for the Treasury Department for General Government Operations

American Rescue Plan Funds

From the \$7.3 billion State Fiscal Recovery funds provided for under the American Rescue Plan Act (ARPA):

- \$3.841 billion to replace estimated lost General Fund revenues due to the COVID-19 pandemic
- \$5 million to the Emergency Medical Services Operating Fund
- \$372 million to the Executive Offices for pandemic response
- \$50 million for the State System of Higher Education
- \$282 million for Long-Term Living
 - \$247 million for nursing homes
 - \$30 million for assisted living residences and personal care homes, and
 - \$5 million for a long-term care facility grant program for indoor air management strategies
- \$50 million construction cost relief

The General Appropriations Act also includes other program specific appropriations for funds provided for in the ARPA for which the legislature must provide appropriation authority:

- Department of Education
 - \$485.7 million for Elementary and Secondary School Emergency Relief (ESSER)
 - \$14 million for ESSER administration
 - \$152.74 million for non-public schools
 - \$4.79 million for the state library
- Department of Human Services
 - \$450.84 million for emergency rental and utility assistance
 - \$36.76 million for low-income home water assistance program (LIHWAP)
 - \$6.49 million for LIHWAP administration
 - \$728.86 million for childcare stabilization



- Transportation
 - \$279 million for highway and safety improvements
- Pennsylvania Housing Finance Agency
 - \$350.36 million for Homeowner Assistance

A Look Ahead to FY 2022/23

- \$1.2 billion in assumed enhanced FMAP earnings through December 31, 2021, which will need to be replaced in 2022/23
- Utilizes \$759 million, or 10.4 percent, from the State Fiscal Recovery Fund provided for under the American Rescue Plan for relief to a limited scope of entities and \$3.84 billion, or 52.7 percent, to replace reduced state revenues due to the COVID-19 pandemic, leaving \$2.69 billion, or 36.9 percent unused in the current fiscal year
- Items to watch that may require supplemental 2021/22 funding:
 - Education - Pupil Transportation
 - Human Services - Community HealthChoices (risk corridor)



Appendix - Tax Code Summary

| Tax Code Summary - House Bill 952 (\$ in millions) | | | | | |
|--|----------------------|---|---|-----------|-----------|
| Tax Topic | Bills | Description | Effective | 2021/22 | 2022/23 |
| Technical Fix | HB 273 | Corrects a scrivener's error from Act 77 of 1986 to replace the word "devises" with "demises" related to the realty transfer tax. | Immediately | \$ - | \$ - |
| Helicopter simulators and software sales tax exemption | | Sales tax exemption on software exclusively for use in helicopters and flight simulators, training materials and operational documents, as well as the lease of helicopters. | 60 days | \$ (1.6) | \$ (2.2) |
| Multipurpose agricultural vehicle sales tax exemption | SB 325 | Sales tax exemption on multipurpose agricultural vehicles used for broader farming purposes. | Jan. 1, 2022 | \$ (0.4) | \$ (0.9) |
| Breast feeding supplies sales tax exemption | | Sales tax exemption for items manufactured to support or sustain breast feeding. | Jan. 1, 2022 | \$ (1.2) | \$ (2.9) |
| Crop insurance | HB 1006 | Allows farmers the option to defer income proceeds from crop insurance by one year, in alignment with federal law. | Tax year 2021 | \$ - | \$ - |
| Electronic payment threshold | | Requires electronic payment of personal income tax for payments more than \$15,000. Penalty for non-compliance capped at \$500. | Jan. 1, 2022 | \$ - | \$ - |
| Federal conformity of personal income tax forms | HB 1059 Partially | Conforms to federal filing requirements for small business non-employee compensation to align with changes in 2020 related to forms 1099-MISC and 1099-NEC. | Immediately | \$ - | \$ - |
| Manufacturing innovation and reinvestment deduction | SB 288 Partially | The deduction shall be applied to a taxpayer's taxable income to reduce the liability following the allocation and apportionment of income instead of calculating before the apportionment of income. | Tax year 2021 | \$ (23.9) | \$ (50.4) |
| Bank Shares tax - mergers | | Technical clarification to define the apportionment of assets in a bank merger. | Immediately | \$ - | \$ - |
| Tax credit integrity | HB 1303 | Improves reporting and auditing procedures for tax credits in response to a 2019 grand jury investigation into fraudulent use of tax credits. | 30 days. Broker registration in 180 days | \$ - | \$ - |



Tax Code Summary - House Bill 952
(\$ in millions)

| Tax Topic | Bills | Description | Effective | 2021/22 | 2022/23 |
|---|--------------|--|---|----------------|----------------|
| R&D tax credit | | Moves application date from Sept. 15 to Dec. 1 and notification of approval from Dec. 15 to May 1 of the following year, as well as timing changes related to the carryover and reporting. | Immediately | \$ - | \$ - |
| Multifilm production tax credit | | Gives special consideration for a series of films produced over one to four years. This is part of the current film tax credit. | July 1, 2021 or immediately, whichever is later | \$ - | \$ - |
| Concert tour tax credit | | In response to COVID-19 shutdowns of concerts, these changes allow for unused tax credits to be utilized in the future and allows for broader use by qualified rehearsal facilities, for streaming performances, broadcasting companies, personal protective equipment. | Immediately | \$ - | \$ - |
| Local Resource Manufacturing Tax Credit | | Within the program cap, no more than two taxpayers shall receive a credit up to \$6.67 million. The remainder of the \$26.67 million program cap shall go to no more than one taxpayer that makes a capital investment of at least \$1.0 billion and 1,800 new and permanent jobs. | Immediately | \$ - | \$ - |
| KOEZ extension | | 5 year extension for a KOEZ in Westmoreland County. | Immediately | \$ - | \$ (4.0) |
| KOEZ application | | Changes the application date from Oct. 1, 2021 to Oct. 1, 2022 and requires the DCED to act on the application by Dec. 31, 2022. | Immediately | \$ - | \$ - |
| Mixed-use development tax credits | | Increases the cap of the program from \$3 million to \$4.5 million. | Fiscal year 2021/22 | \$ (1.1) | \$ (1.4) |
| KIZ | | Application timing changes. | Immediately | | |
| Housing tax credit | | Allows for a total of \$10.0 million in credits per year (no more than \$1.5 million per taxpayer) for qualified low-income housing projects. | Immediately | \$ (10.0) | \$ (10.0) |



Tax Code Summary - House Bill 952
(\$ in millions)

| Tax Topic | Bills | Description | Effective | 2021/22 | 2022/23 |
|-----------------------|--------------|---|-------------------------------|------------------|------------------|
| Table games tax | | Repeals the expiration of the additional two percent table games tax that was set to expire Aug. 1, 2021. This makes the additional two percent tax permanent. | Immediately | \$ 18.3 | \$ 20.2 |
| Computer Data Centers | HB 952 | Establishes a sales tax exemption for computer data center equipment purchases. Repeals the current refund program, which is capped at \$7.0 million (as of Dec. 31, 2021). | Exemptions begin Jan. 1, 2022 | \$ (14.0) | \$ (41.3) |
| Bad check fees | | Reduces the maximum fee for bad checks for tax payments to \$100 instead of \$1,000. The minimum fee remains \$25. | 120 days | \$ - | \$ - |
| Total | | | | \$ (33.9) | \$ (92.9) |

