

## DPW Budget Facts

The important points regarding the DPW budget are these:

- The 2008/09 General Fund budget currently stands at \$10.1 billion (after two rounds of budget freezes). The total DPW budget (state, federal, and other funds) is \$23.6 billion.
- Three major programs account for 85 percent of General Fund spending – **Medical Assistance; disability programs** for individuals with mental retardation, mental illness, autism, and physical disabilities; and **county child welfare**.
- More than half of DPW's budget is for Medical Assistance (MA) which provides health care and long-term services to nearly two million of our poor, elderly, disabled, and chronically ill population. **Nearly one out of every six Pennsylvanians is enrolled in MA**. Although the elderly and disabled represent approximately one-third of all MA recipients, they account for over two-thirds of program expenditures.
- One-fifth of DPW's budget is for other programs that serve approximately 200,000 individuals with disabilities including mental retardation, autism, mental illness, and physical disabilities.
- One-tenth of DPW's budget is for County Child Welfare services that promote the safety and well-being of nearly 250,000 children who have been (or are at risk of being) abused or neglected.
- **Less than three percent of DPW's budget is for cash grants to so-called "welfare" recipients**. Pennsylvania had only 200,256 TANF cash recipients as of December 2008 – this represents a 25 percent decrease since October 2005.
- Two-thirds of all federal funds spent by the Commonwealth flow through DPW. The 2008/09 DPW budget includes \$11.8 billion in federal funds, most of which are Medicaid matching funds. Federal Medicaid funds primarily support MA (\$7.8 billion), but they also support mental retardation programs (\$1.3 billion) as well as mental health services and other programs for the disabled.
- To receive federal Medicaid funds for the MA program, DPW must cover certain "mandatory" groups in accordance with federal law and meet other requirements regarding services provided.
- Medicaid Waiver programs are significant components of the community mental retardation program, providing services to individuals with a severe or profound level of mental retardation. The Medicaid waiver is an entitlement for those enrolled. Consequently, DPW must allocate sufficient funds each year to fully serve Waiver participants in order to comply with federal requirements and avoid the loss of federal Medicaid funds.
- Pennsylvania's mental health/mental retardation system (MH/MR) is governed by the MH/MR Act of 1966 which establishes responsibilities for state and county government, identifies mandated services, defines eligibility, and creates procedures for commitment to state facilities.

- Various state laws govern Pennsylvania's child welfare system, including: the Public Welfare Code (requires the state to reimburse counties for the cost of services); the County Code (requires each county to provide services); the Juvenile Act (defines dependent and delinquent children, establishes jurisdiction of the juvenile court, and provides for the placement of dependent and delinquent children); the Child Protective Services Law; and the Adoption Act.
- DPW uses "other" funds -- i.e., provider assessments, county intergovernmental transfer (IGT) funds, Tobacco Settlement Fund and the Lottery Fund -- to earn federal Medicaid match and to reduce the state General Funds otherwise needed to pay for programs. The 2008/09 budget includes \$1.7 billion in "other" funds.
- The amount of General Fund spending in any fiscal year is impacted by the availability of alternative revenues that DPW can use in lieu of the General Fund to pay for programs. **The use of other funds to reduce General Fund spending peaked in 2002/03**, the last budget under the Ridge/Schweiker Administration. As a result of shifting costs to other funds, the General Fund share of DPW's budget was only 36 percent in 2002/03, compared to 43 percent in 2008/09.
- A significant part of the \$3.6 billion (or 55 percent) increase in General Fund spending between 2002/03 and 2008/09 is due to the **shifting of program costs back to the General Fund**. This 55 percent increase in General Funds includes the impact of the shift and thus overstates the growth in actual DPW spending.
- Total funds provide a more accurate measure of the increase in spending because they take into account all revenues used by DPW to pay for programs. Total funds increased \$5.2 billion (or 28 percent) from 2002/03 to 2008/09, representing 4.7 percent annual growth in total DPW spending during this six-year period.