



House Bill 1416, As Amended

General

House Democrats reject Senate Bill 850 in any form. We have heard from people all over the Commonwealth who pleaded for us not to consider SB 850. We reject the House Republican amendment to SB 850, an amendment that primarily pays for the deficit that the Senate Republicans ignored, with only minor improvements to the draconian cuts originally offered by the Senate. We knew we had to do better.

Yes, there are still cuts in the Democratic Budget proposal, HB 1416. We believe they are responsible cuts designed to cause as little pain as possible. House Democrats are sticking to our principles. HB 1416 addresses our core values: basic education, health care, jobs and the economy and public safety. The interests of seniors, the disabled, children and veterans are protected.

The Democratic proposal recognizes that our higher education programs are important enough to our families and, ultimately the economy, that they deserve a dedicated funding source. A new fund would be created for the State System of Higher Education, Community Colleges, and PHEAA and House Democrats ask the General Assembly to recommend a serious funding source to maintain spending in this fund. The balance of General Fund appropriations are funded within current revenue streams and transfers from other funds.

Education

Basic Education

The Democratic proposal continues strong support for public education by utilizing state and federal funds to provide a more than 5.7% increase in the basic education subsidy, unlike the two Republican proposals. The House Democratic proposal enables critical progress to be made toward adequate funding for school districts.

Early childhood learning, including **Pre-K Counts**, **Early Intervention**, and **Head Start Supplemental Assistance**, continues as a priority by providing 14 percent more

funding than the House Republican proposal and 23 percent more than SB 850, the Senate Republican proposal.

The Democratic proposal provides funding for **Dual Enrollment**, which gives high school students the opportunity to earn college credits while attending high school.

The proposal provides funding for **Science: It's Elementary!**, which provides resources for hands-on learning and teacher training in the elementary school science curriculum.

Both the **Public Library Subsidy** and the **Library Access** funds more than double what was contained in either Republican budget plan.

Higher Education

The House Democratic proposal takes an innovative look at how to finance higher education. We create the **Higher Education Fund**, which would be used to distribute funds to the state's 14 community colleges, 14 state-system universities, the Thaddeus Stevens College, and grants to students and private educational institutions under PHEAA.

As noted earlier, this fund would receive a dedicated source of revenue and we ask that the members of the General Assembly give thoughtful consideration to funding options. As democrats, we must support those who pursue post secondary training, an important key to healthy employment and the economic success of Pennsylvania. We estimate that the fund needs \$1.27 billion for 2009/10.

Within the General Fund, "**Higher Education for the Disadvantaged**" item is restored in the Democratic proposal. It had been removed by both Republican proposals.

Additionally, the **community education councils**, which provide higher education services in rural areas not served by other institutions, are funded at \$2.1 million.

Nonpreferred Appropriations

These appropriations effect charitable institutions including **higher education, museums, and health care organizations**. They are always addressed in separate bills and therefore not contained within HB 1416. "Nonpreferred appropriations" are not under the absolute control of the commonwealth and require the affirmative vote of two-thirds of the members elected to each House of the General Assembly. In a 1932 decision, the state Supreme Court ordered that nonpreferred appropriations should be abated if there is insufficient revenue to cover both the nonpreferreds and what the Court called, "the ordinary expenses of government." The Court said nonpreferreds were to be paid only out of any surplus that might exist after those ordinary expenses were taken care of. We still need to negotiate what we want to do about these appropriations. Funding for these institutions are important to the people of Pennsylvania and to the health of our economy.

Health Care

The House Democratic proposal fully funds the **Children's Health Insurance Program** (CHIP). Under the republican proposals, children enrolled would be in jeopardy of losing coverage and a waiting list would be created in a program that has never seen one.

Under **Medical Assistance for hospitals**, House Democrats fund all eight supplemental hospital payments listed below:

- Outpatient Disproportionate Share
- Inpatient Disproportionate Share
- Medical Education
- Community Access
- Trauma Centers
- Obstetric and Neonatal Services
- Hospital-Based Burn Centers
- Critical Access Hospitals

Total payments of \$300.9 million (state funds plus federal Medicaid match) reflect 90 percent of the 2008/09 payments received by hospitals. This is more than the governor's request in that it adds more in state funds (\$10 million) to restore payments for burn centers and critical access hospitals (\$22 million total funds). It is significantly better than SB 850, which eliminated seven of the eight payments (a cut of approximately \$220 million to the hospitals). It is also better than the House GOP budget, which did not fund Outpatient Disproportionate Share and Medical Education payments (a \$134 million cut to hospitals).

The House Democratic budget reflects the following for **Medical Assistance Managed Care**:

- Funding for "Pay for Performance" (P4P) incentive payments to managed care organizations that met the 2008/09 quality goals set by the Department of Public Welfare.
- The Administration's proposed two percent statewide assessment on all managed care entities, other than Medicare – this assessment meets the new broad-based requirement for states to earn federal Medicaid matching funds and saves the General Fund \$200 million in 2009/10.
- No Smart Pharmacy Initiative -- the pharmacy benefit for 1.1 million managed care enrollees remains with the managed care organizations and the Capitation line has been increased accordingly above the Administration's request, with funds shifted from the Outpatient line under which the Smart Pharmacy initiative was proposed.

House Democrats support the Governor's proposal to expand **Community Programs for Pennsylvania's elderly and disabled citizens**, unlike the Senate and House Republicans. Increased funding for home and community-based programs will allow more people to remain in their homes and their communities as an alternative to receiving costly institutional care in a nursing home or a center for the mentally retarded. Under the House Democrat budget:

- 2,000 additional seniors will receive community services under the **Aging Waiver Program** (funded through the MA Long Term Care line item).
- 800 additional disabled non-elderly adults who need assistance with tasks of everyday living will receive **Attendant Care**
- 804 additional individuals who have severe physical disabilities, including 108 people with traumatic brain injuries, will receive care under **Services to Persons with Disabilities**
- 793 additional individuals with mental retardation, including 107 individuals on county emergency waiting lists and 500 special education graduates, will be served through **Community MR Waiver Programs**
- 500 adults with autism will receive direct services under the new Autism Waiver Program and the new Adult Community Autism Program (funded through the **Autism Services** line)

Additionally, the House Democrats support the Administration's recommendation to **safeguard the existing Attendant Care Act 150 program** so that current users will not lose services. Republicans in the House and Senate significantly cut these services.

Democrats maintain 2008/09 funding levels for the **Behavioral Health Services** program. This program allocates grants to counties so that they can provide mental health services as well as drug and alcohol treatment to Pennsylvanians who are not eligible for Medical Assistance -- approximately 77,000 people received services in 2008/09. Senate Republicans and the House GOP cut funding by \$13.5 million (or 24 percent).

The Economy

Agriculture

Our critical Pennsylvania industry, agriculture, took a hit under the other proposals but the House Democratic proposal restores funding for:

- The Agriculture Law Center
- General Operating funds for regulatory requirements in food safety, weights measure Agriculture Excellence program
- Agriculture Research
- Food Banks
- Animal Health Commission and State PDA Lab
- Crop Insurance
- Farm-Nutrition Program
- Transfer to the Nutrient Management Fund
- The Conservation District Fund and
- County Fairs

Economic Development

Recognizing the severity of the current economic climate and a time when unemployment rates are at an all-time high, funding in the House Democrats' proposal realizes the importance of protecting jobs and businesses here in our Commonwealth as well as the need to attract new business and employment opportunities.

The proposal provides funding necessary in the Department of Community and Economic Development's budget to maintain Pennsylvania's competitiveness in the global economy through state-assisted export sales and foreign direct **investment**.

The House Democratic proposal supports funding to enhance the quality of life for Pennsylvania's citizens through community and economic activities, such as the **redevelopment and reuse of blighted and deteriorated properties, the expansion of housing opportunities, and the revitalization of our communities' downtowns and neighborhoods**.

The state's local governments are also feeling the repercussions of the economic crisis, which is why the House Democratic proposal supplies the necessary resources to units of **local government** to increase the efficiency and effectiveness of the delivery of their services.

Tourism

Tourism, another vital industry in our state, is supported in the House Democratic proposal. Funding will support tourism programs, like our state's **zoos and local and regional marketing organizations**, and the hundreds of thousands of people employed in the industry. In 2007, travelers in Pennsylvania directly spent \$27.8 billion: \$4.04 billion on lodging, \$6.32 billion at restaurants, and \$17.45 billion on a broad range of goods and services including transportation, entertainment, and shopping. In 2007, spending by travelers in Pennsylvania generated \$2.79 billion in state and local taxes, and \$4.28 billion in federal taxes. County lodging taxes paid by travelers totaled \$158.2 million.

Our Environment

Senate Bill 850 and the House Republican amendment budget proposals offer a **choice between a healthy environment or a healthy economy** -- Pennsylvania can have one or the other but not both. The Democratic proposal recognizes the economic benefits of protecting our natural resources by fully funding initiatives like the **Consumer Energy Program** and the **Alternative Energy Development Program**.

No parks will close under the House Democratic proposal. Funding for the **State Parks and Forests** in SB 850 and the House Republican amendment was significantly reduced. Under the SB 850 proposal, the Department of Conservation and Natural Resources (DCNR) estimates that between 35 and 40 parks would have to be closed. DCNR estimates that 10 parks would be closed under the House Republican amendment.

Public Safety

Pennsylvania State Police

Funding for a **cadet class** is included in the House Democratic proposal with \$10 million appropriated to PSP's general government operations - \$2.7 million from the General Fund and \$7.3 million from the Motor License Fund. This represents an increase over the Administration and the Republican proposals.

The House Republican amendment would fund PSP's general government operations (mostly personnel) at the same General Fund level as SB850 and the Republican amendment does not make proportional cuts to the Motor License Fund. These corresponding cuts are necessary when General Funds are reduced for constitutional reasons. More importantly, PSP indicates that SB 850 could result in the furlough of 800 troopers. This equates to the shutdown of 27 percent of PSP stations. At a time when more municipalities depend on PSP services, the Senate Republican proposal makes drastic cuts in the area of public safety.

HB 1416 provides increased funding at the Governor's level to the Law Enforcement Technology appropriation – above the Senate Republican proposal.

SB 850 slashes the appropriation for **Law Enforcement Technology** by 43 percent - a line that supports the Uniform Crime Reporting system, the CLEAN network, and Megan's Law/Adam Walsh requirements.

Probation and Parole

Funding for Probation and Parole by the House Republicans and SB 850 will jeopardize the jobs of 38 staff, primarily agents. The House Democrats propose to fund Probation and Parole at a higher level (\$7.7 million higher) – ensuring that case-load ratios for agents and parolees will keep the Commonwealth safe. Sufficient funding will prevent offenders from being retained in our state correctional institutions when they are eligible for parole and it will help to prevent an increase in the number of technical and criminal parole violators returning to prison. With annual costs to house an inmate in a state prison at \$35,000 and annual costs for probation and parole at \$3,000 per person, the House Democrats recognize the importance of providing the funds necessary to effectively continue Probation and Parole's role in Pennsylvania's criminal justice system.

Weed and Seed

The House Democratic proposal provides \$2.5 million for Weed and Seed in 2009/10. In comparison, SB 850 eliminates all funding and the House Republican amendment provides half of the funding received last year. Across the commonwealth, there are 47 Site Coordinators, 47 Community/Police Liaisons, and 71 Program Coordinators – a total of 165 local jobs. The Weed and Seed program helps communities “weed” their neighborhoods of crime and blight and “seed” revitalization efforts to make communities safer. The House Democratic budget proposal for Weed and Seed will help to continue efforts to improve local communities and to prevent the loss of jobs.

Other

The House Democratic proposal funds **child care services** to assist working families and improve quality care.

The **veterans' homes** are restored. Funding is provided for **Scotland School** and the **Scranton State School for the Deaf**, although implementing language cannot be provided for within the General Appropriations Act.

This proposal restores funding for **public television** and **museum grants**.

Funding is restored for the **Motor Voter** program.

Debt Service

The Democratic proposal continues the appropriation for General Obligation Debt Service at the Governor's proposed amount, thereby leaving projects uninterrupted that are already underway. The House Republican amendment means that fewer bonds will be issued in the budget year. General obligation bonds are not issued for specific projects, but are issued on a cash flow basis. For example, any project under construction or moving to construction in the next six months would receive funding from bonds issued in June 2009. Bonds issued in the fall will provide funding throughout the winter of 2009/10. A reduction in the debt service line could mean that projects already under construction would not be funded.

PEMA

The bill as amended funds the **Red Cross Extended Care** program at \$493,000 unlike SB 850 which eliminates it or the House Republican amendment which funds the program at \$375,000.

HEMAP

The House Democratic Plan provides more money to help people from losing their homes through mortgage foreclosures. HB 1416 provides \$12.5 million for the Homeowner's Emergency **Mortgage Assistance** Program (HEMAP). The Governor had proposed \$11 million, the Senate Republicans cut the funding to \$9.9 million, and the House Republicans cut it even further to \$9.68 million.