

**Analysis of the State General Fund Budget
Fiscal Year 2000 - 2001
May 16, 2000**



**Senate Democratic Appropriations Committee
Vincent J. Fumo
Chairman**

GENERAL FUND

1999-00

Senate Bill 1 contains \$69.9 million worth of supplementals for the 1999-00 fiscal year. The Governor has not yet announced his lapse figures for the current year. It is expected that those lapses will total \$150 to \$200 million. The amount of revenue surplus is not yet known, since there is still a month and a half left of the fiscal year.

2000-01

Senate Bill 1 appropriates \$20.241 billion. That is an increase of \$1.2 billion or 6.3% over 1999-00 expenditures. This would be the largest increase of the Ridge Administration. The Governor has not yet certified revenues for the 2000-01 fiscal year. However, making a reasonable adjustment to the revenue estimate in his budget presentation, something he probably won't do, would yield the following balance sheet for the 2000-01 fiscal year. Numbers that are Senate Appropriation estimates are in bold.

General Fund Balance Sheet

(Dollars in Thousands)

	1999-00 Fiscal Year	2000-01 Fiscal Year
<u>Revenue:</u>		
Beginning Balance	\$447,536	\$715,412
Gov. Revenue Estimate	\$19,374,900	\$20,597,700
Adjustment to Revenue	\$674,200	\$460,210
Proposed Tax Changes	\$0	-\$770,000
Refund Reserve	-\$685,000	-\$700,000
Prior Year Lapses	\$100,000	\$0
Total Revenue	\$19,879,411	\$20,429,822
<u>Expenditures:</u>		
Budgeted Appropriations	\$19,067,831	\$20,240,750
Supplemental Appropriations	\$69,919	\$0
Current Lapses	<u>-\$100,000</u>	<u>\$0</u>
Total Expenditures	<u>\$19,037,750</u>	<u>\$20,240,750</u>
Unappropriated Balance	\$841,661	\$189,072
Transfer to Rainy Day Fund	-\$126,249	-\$28,361
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Ending Balance	\$715,412	\$160,711

TAX PROPOSALS IN SENATE BILL 2

The Governor proposed four major tax reductions as part of the 2000-01 budget. The Legislature added numerous other items before passage. The total cost of all the tax cuts is estimated to be \$781.9 million. For the first time in this administration the amount of tax cuts for individuals exceeds that of the businesses tax cuts. But in the second year of these tax cuts the savings to business would grow to about \$500 million while the savings to individuals plummets to \$106 million. The Governor's tax reductions are:

1. A ten year phase-out of the capital stock and franchise tax. The rate would be reduced by 2 mills in the 2000 calendar year. Subsequent reductions would phase out the entire 11.49 mill tax over the next nine calendar years until the \$1.1 billion tax was eliminated entirely. The estimated cost for the 2000-01 fiscal year is \$256 million. The minimum tax would be repealed in 2000 as well, this is estimated to cost \$32.9 million in lost tax revenues.
2. Two one week periods in which retail sales of computer hardware are exempt from the sales tax would be allowed each year. The plan is to exempt all computer hardware for one week in February and again for one week in August. The Governor estimates the cost to be \$8.3 million annually. Both Philadelphia and Allegheny County, which utilize a local sales tax, would have to implement this tax reduction as well.
3. A one time grant of \$100 to each homestead property owner to cover the increases in their school property taxes. The checks would apparently be sent to the homeowner by the state. The estimated cost is \$330 million in 2000-01 only.
4. A further expansion of the provision for poverty forgiveness as part of the personal income tax. The new level of income that would allow for full forgiveness would increase by \$1,000 for each dependent, up to \$7,500.

These items were added to the tax bill by the General Assembly:

1. A reduction of the inheritance tax rates. There are two tax rates for the inheritance tax. For lineal descendants the rate is 6% except for transfers to spouses for which there is no tax. For nonlinear descendants the rate is 15%. The tax bill would lower those rates to 4.5% and 12% respectively. The rate for non-lineal decedents who are not siblings would remain at 15%. The reductions would apply to the estates of persons dying after July 1, 2000.
2. Provides a small tax credit, capped at \$2.7 million for two years, to mitigate the huge increases in PURTA tax that some smaller utilities, primarily water companies, received after last year's revisions to the PURTA tax.
3. Increase the amount of deduction to retailers for sales tax paid that is later deemed

uncollectible from 1/3 to 2/3 of the amount collected.

4. Exempt the sale of clothing patterns from the sales tax.
5. Grant the manufacturing exemption for fertilizer processing from both the capital stock tax and the sales tax.
6. Exempt 40% of the purchase price of mobile homes from the sales tax.
7. Change the time that the sales tax is collected for pre-paid phone cards from time of use to time of purchase. This is supposed to increase revenues.
8. Exempt maintenance and repair of residential air conditioning and cooling equipment from the sales tax.
9. Exempt investment trust of packaged and sold loans from the capital stock tax. Income earned by the banks would still be taxable by the bank shares tax.
10. Tax phone service sold to a service provider and then to the final consumer only once under the utility gross receipts tax.
11. Expand the time for use of any earned small brewers tax credits.
12. Equalize the tax on wagers between standard breeds and thoroughbred horses.
13. Allow for a tax credit for insurance companies equal to the amount they pay into a fund to protect consumers from missing claims from bankrupt insurance companies.

The chart on the next page itemizes the cost to the Commonwealth of Senate Bill 2.

Tax Bill for Fiscal 2000-01
Senate Bill 2

2000-01 Tax Changes

(In Thousands)

Change to General Fund	Tax	2000-01 Cost	2001-02 Cost	Comments
Personal Computer Tax Holiday	Sales	8,300	-	One time only -not annualized reduction, Could cost more than est.
Increase the Bad Debt deduction from 1/3 to 2/3	Sales	7,900	8,058	For sales in which the retailer never gets paid
Exempt the Sales of Clothing Patterns	Sales	Minimal	Minimal	
Exempt Materials and Equipment for Fertilizer Processing	Sales & CS&F	2,700	2,700	
Exempt 40% of Purchase Price of Mobile Homes from Sales Tax	Sales	5,200	5,200	
Exempt Maintenance of Residential Air Conditioning Service	Sales	3,100	3,224	Maintenance and service of furnaces is already exempt
Tax Pre-paid Phone Cards at Time of Purchase Not Use	Sales	-1,800	-1,872	Increases tax revenue
Expansion of Poverty Forgiveness	PIT	18,144	18,960	Additional forgiveness of \$500 for spouse and each claimant
10 Year Phase-out of Capital Stock Tax	CS&F	272,700	427,457	Annual cost when fully phased out \$1.5 billion. 2 mill reduction in 2000 1.5 in 2001
Repeal of Capital Stock Minimum Tax Payment	CS&F	35,000	35,000	Minimum amount was all nonprofitable corp. pd
Exempt Investment Trusts for Bundled Loans from Banks	CS&F	-	-	Trust not taxable for CS&F tax, income still taxable for Bank Shares
Exempt Tax on Sales of Phone Service between Providers	Gross Rcpts	8,000	8,000	Tax Phone Service Only One Time
Utility Real Estate Credit for Small Utilities	PURTA	2,700	2,700	Credit is to aid small utilities with large tax increases from previous year
Reduction of Inheritance Tax Rates	Inheritance	79,500	79,500	Lineal rate from 6% to 4.5%, Sibling rate from 15% to 12%, Child Phaseout
Additional Time to Take Small Brewers Tax Credit	Malt Beverage	Minimal	Minimal	
Equalizing the wagering tax between Thoroughbred and Standard Bred	?	2,700	2,700	Reduces transfer to general fund from racing fund
Premium Tax Offset of Monies Pd-in for Bankrupt Insurers	Insurance Prem	7,800	16,300	Credit may be utilized up to five years
Homestead Property Tax Rebate	School Taxes	330,000	-	One time rebate on Oct 20. Will be taxable income to many recipients
	Total Cost	781,944	607,928	

TREASURY DEPARTMENT

General Obligation Debt Service

Senate Bill 1 has only \$381.9 million appropriated for debt service. The usual amount is about \$150 to \$200 million higher. But last year as part of the supplemental appropriations an extra \$200 million was added to keep the amount of the available surplus within more manageable levels. That extra money taken off the books has resulted in this year's smaller appropriation and so the Governor has made the \$200 million reappear on the balance sheet.

DEPARTMENT OF AGING

The general fund appropriation for the Family Caregiver Support Program is increased by 10.5%. The \$825,000 increase will be used to expand services to an additional 285 families caring for older members in their homes as an alternative to nursing home care. It is anticipated that 6,785 families will be served. Working through the AAAs, the program provides benefits counseling and, depending on income, financial assistance including supplies, services and home adaptations and devices.

In addition, the budget includes \$14.69 million in Tobacco Settlement funds to provide older Pennsylvanians with opportunities for alternatives to nursing home care. Funds will be used for case management in conjunction with additional Tobacco Settlement funds appropriated to the Department of Public Welfare for direct services.

The budget includes a 3% increase in the PENNCARE appropriation to continue the current Attendant Care Program and provide services to an additional 116 recipients. Additionally, the budget includes \$200,000 for Alzheimer's Outreach services and transfers the program from the Department of Health to the Department of Aging.

The budget includes \$2.0 million for Grants to Senior Centers. This funding provides money to AAAs for improvements to community senior centers. It is anticipated that requests will be funded in varying amounts for individual centers up to the maximum amount per center of \$250,000. It is estimated that approximately 50 senior centers will receive some level of funding.

The Legislature added \$600,000 for Legal Advocacy Programs.

Using lottery funds, the Governor includes \$449,000 for Long-Term Care Consumer Information B to improve the information available to consumers regarding the availability of long-term care services including service options, provider performance profiles and financing opportunities.

Funding for the PACE and PACENET Programs is increased \$30.0 million in the Governor's budget to provide for increases in the cost per prescription and the number of prescriptions per person.

The number of older Pennsylvanians enrolled in the PACENET program decreased from last year's estimates because HMO's have aggressively recruited persons in the Medicare plans which provide premium-free prescription benefits. The Administration expects that HMO's will discontinue this coverage in future years, thereby increasing enrollment in future years. The Administration originally estimated that 49,000 persons would enroll in the program. As of March, 19,778 seniors were enrolled in PACENET.

Enrollment in the PACE program decreases each year as cost-of-living adjustments make certain seniors ineligible for the program. As of March, 221,711 seniors were enrolled in PACE, over 12,000 less than in March 1999 and 32,000 less than in March 1998. PACE has experienced a significant increase in the cost per prescription due to manufacturers' increases in drug prices and new drug products coming on the market.

PACE is available for older Pennsylvanians whose annual income is at or below \$14,000 for single persons and \$17,200 for married persons. PACE pays the entire cost of prescription drugs and insulin supplies after a mandatory copayment of \$6 is made. PACENET covers older Pennsylvanians whose annual income is between \$14,000 and \$16,000 for single persons and between \$17,200 and \$19,200 for married couples. PACENET pays the entire cost of prescription drugs and insulin supplies after a claimant meets a \$500 deductible and a mandatory copayment of \$8 for generic and \$15 for brand-name prescriptions.

DEPARTMENT OF AGRICULTURE

The 2000-01 budget provides \$65 million for the Farmland Preservation Program. This \$65 million is established as follows: \$22 million from cigarette tax revenues, \$20 million transferred from the Environmental Stewardship Fund and \$23 million from the Supplemental Ag Conservation Easement Purchase. The Farmland Preservation Program protects prime farmlands from being purchased by land developers for large housing developments or corporate centers. If the farmer takes part in the program they must agree to keep that part of the land that is part of this program from being developed. Farmers who receive monies from this program must live in counties that are eligible.

Also found within the budget is an increase of \$250,000 for Agriculture Research and \$150,000 for the Agricultural Promotion, Education, and Exports. These programs have received an increase due in large part because the Department has used them to assist Pennsylvania agricultural businesses to export their products.

The 2000-01 budget will fund an initiative to monitor the AWest Nile Virus® which is

being spread by infected mosquitoes who are infecting farm animals. This virus has been detected in New York and has caused serious illness.

The 2000-01 fiscal year budget will provide funding for the state Food Purchase Program found in this year-s budget had an increase of only \$536,000, and the Farmer-s Market Food Coupons program received a \$500,000 increase. In the 1999-00 fiscal year not all the funds were spent in the Food Coupons Program, however it is expected that with better marketing programs all of the funds will be used to supply fresh fruit and vegetables to eligible participants.

Included in the 2000-01 budget is an appropriation of \$10 million for Horse Racing Promotion. This is a new appropriation, and therefore was not included in the Governor-s recommended 2000-01 budget. It is hoped that this money will act as a stimulus to promote Horse Racing in Pennsylvania.

The Plum Pox Virus Indemnity program received \$3.1 million in the 2000-01 fiscal year-s budget, this was \$3.1 million more than the Governor-s budget and \$1.1 million more than last fiscal year. This money will be allocated to farmers who will lose their fruit trees due to the Plum Pox Virus that has affected their trees.

ATTORNEY GENERAL

Each year the budget disguises increases in the General Government appropriation of the Office of Attorney General by adding a new line item. In 1998-99, it was the Capital Appeals Case Unit; in 1999-2000 it was the Charitable Nonprofit Conversions; for the 2000-01 budget the Governor has added \$500 for Tobacco Law Enforcement. The Conference Committee adopted the Governor-s request for all of the Attorney General appropriations, but added language designating \$500,000 to be used to defend the Education Empowerment Act.

While the General Assembly has been appropriating at least \$500,000 per year so that the Attorney General can assist local district attorneys in capital cases, the Commonwealth provides no support to defense counsel in capital cases. The Chicago Tribune found that 33 people who were sentenced to die in Illinois had lawyers who were later disbarred or suspended and many more had lawyers with no experience in capital cases. Colorado, Connecticut and New York have attempted to address the problem by creating a state funded central office of defense lawyers who specialized in capital cases. The budget contains no funds to support defense efforts in capital case appeals.

AUDITOR GENERAL

The Auditor General has received the same 3% increase in its general operating

budget as the other independent offices.

COMMUNITY AND ECONOMIC DEVELOPMENT

The new budget for the Department of Community and Economic Development provides more than \$490 million, an unprecedented \$65 million increase in programs to strengthen communities and boost the state's economy. While a strong national economy continues to produce modest net employment gains in the commonwealth, growth in Pennsylvania continues to lag most of the nation. Currently, the commonwealth ranks 45th among the fifty states in net job growth.

The largest increase nearly doubles funding for Opportunity Fund grants to \$63 million. Other appropriations include \$13 million for the Pennsylvania Industrial Development Authority, \$13 million for the Small Business First Fund, including a \$4 million commitment for Community Development set-asides, \$6 million for the Machinery & Equipment Loan Fund, \$32 million for Customized Job Training, and \$33.5 million for Infrastructure Development financing.

Technology funding includes \$39.1 million for the Ben Franklin Partnership/IRC Fund, a \$2.2 million increase, and \$26.3 million for the Pennsylvania Technology Investment Authority (PTIA), funded through the Pennsylvania Economic Development Financing Authority. The budget provides a direct \$2 million appropriation for the Super Computer Center and \$3.5 million for Engineering Research Centers.

The Team Pennsylvania appropriation includes the third year \$3.3 million commitment to the Early Stage Partners venture fund, a partnership with the Public School Employees Retirement System and Safeguard Scientific to provide venture capital commitments to emerging growth companies. The budget includes an additional \$3 million to create a Western Early Stage Fund in partnership with major research universities, financial institutions, and institutional investors in Western Pennsylvania. The approved budget also provides another \$1.6 million for CyberStart, to make internet based learning tools available to preschool children in daycare centers.

Local Development organizations will all receive substantial increases in the new budget. Small Business Development Centers will get \$5.5 million, a \$2 million increase, Industrial Development agencies will be boosted to \$3 million, a \$1.3 million increase, Local Development Districts will receive \$4.36 million, and Tourist Promotion Assistance is increased to \$11.25 million. The budget also includes a new \$1 million appropriation to fund multi-county attraction and destination development.

With the Republican National Convention coming to Philadelphia this summer the budget includes another big boost in funds to promote the commonwealth. A \$12.5 million increase in promotional advertising would provide more than \$53 million in the proposed budget, including \$19.035 million for Tourist Promotion, \$5.5 million for Interactive

Marketing, \$7.165 million to attract business, \$8.5 million for Regional Marketing Partnerships, \$7.6 million for International Trade promotion, and \$5.6 million in marketing initiatives through Team Pennsylvania.

Continuing the trend since the elimination of the Department of Community Affairs, housing and community development programs receive only modest attention in the proposed budget. The Housing and Redevelopment appropriation is increased to \$15 million, \$1 million above the current year. Main Street funding remains at \$2.5 million. Enterprise Development funding is also maintained at \$6.996 million.

The budget does include a \$6 million appropriation to local governments to cover administrative costs for the Governor's \$330 million tax rebate initiative. The budget also includes \$3.6 million for land use planning assistance to help local governments more effectively deal with suburban sprawl.

CONSERVATION & NATURAL RESOURCES

The Department's **General Government** appropriation has received a \$14.187 million or an 80.90% increase. With nearly \$4.0 million in nonrecurring costs in this appropriation, increased funding in the amount of \$16.025 million is provided for the Statewide Public Safety Radio System, \$725,000 is provided for administrative and operational support for grant operations, \$600,000 is provided for a Geographic Information Systems (GIS) enhancement to update the Commonwealth's geographic maps using digital topographic information and \$250,000 is provided for administrative and operational support for an information technology bureau.

The **State Parks** appropriation has received a \$1.713 million or a 2.93% increase. Of this amount, \$552,000 will be to fund an initiative to provide administrative and operating resources to support state park facilities.

Heritage Parks has been reduced by \$1.252 million or 31.28%. The **Forest Pest Management** has increased by \$1.238 million or 52.70%. Of this amount, \$1.085 million will be for additional spraying for increases in forest pests.

The budget contained a new \$1.0 million appropriation for **Recreational Trails**.

Under the **Environmental Stewardship Fund, Growing Greener** programs have received funding from executive authorizations totaling \$32.571 million or a 33.41% increase over the current fiscal year. Of this amount, increased funding is for the Parks and Forest facilities (\$4.056 million), Community Conservation Grants (\$4.0 million) and Natural Diversity Conservation Grants (\$100,000).

CORRECTIONS PROGRAMS

State Corrections Institutions will receive more than \$1.2 billion in the new budget. This will increase spending nearly \$500 million above the \$721 million expended for State Corrections institutions during the 1994-95 fiscal year.

The \$966 million budget for Correctional Institutions will include funds to expand facility capacity by opening the new Pine Grove institution in Indiana County for young offenders, a new restricted housing unit at Muncy, and a portion of a new cell block at Laurel Highlands.

Security lapses at several state institutions last year have prompted an additional supplemental appropriation of \$43.2 million within the current year budget. A four member national panel who reviewed our system last Fall, recommended these immediate improvements. Another \$11 million in security enhancements are included in the 2000-01 budget.

The budget for the Board of Probation and Parole will climb above \$100 million, including \$69.5 million for General Government Operations, \$27.8 million in grants for local Adult Probation Services, which includes \$8.9 million in estimated County Supervision Fees, and \$2 million for the Sexual Offenders Assessment Board.

The budget will enable the parole board to continue to increase staff and reduce agent caseloads. The 969 positions funded in the new budget represent a 45 percent increase above the 666 positions there in January of 1995. The staffing increase has enabled the parole board to reduce supervision caseloads in half from 120 to 60 offenders per parole agent.

After ignoring longer term prevention strategies during the first few years of the Ridge Administration, the new budget continues to reverse course and provide new funding for programs to help families and troubled youth before they enter prison, or become repeat offenders. Prevention initiatives receive a combined \$11.2 million increase in the 2000-01 budget.

Prevention funding will include \$3.33 million for the Governor's Partnership for Safe Children, a new \$1.156 million state appropriation for the Weed and Seed Program, \$5.331 million for Intermediate Punishment and \$13 million for Intermediate Punishment Drug and Alcohol funding, \$8 million for Communities That Care, and \$13.26 million for Specialized Probation Services. Together these initiatives provide more than \$40 million in state funds for prevention programs.

The budget funds a new \$7.5 million initiative for Law Enforcement in 2nd Class Counties.

BASIC EDUCATION

The **School Subsidy** appropriation has been increased by \$4.2 million over that proposed by the Governor. For FY 2000-2001 the school subsidy will receive a total of \$3.791 billion or a 3.15% increase over the current fiscal year. The School subsidy will be distributed in the following manner.

-Each school district will receive an amount equal to its 1999-2000 Basic Education Funding allocation. The \$115.87 million or 3.15% increase will be distributed as follows:

-For the Base Supplement, a qualifying school district (399 school districts) will receive a pro rata share of \$76,000,000 based on its market value/personal income aid ratio (MV/PI AR) times its average daily membership (ADM). To qualify, the school district's MV/PI AR must be equal to or greater than .4000.

-For the Growth Supplement (\$6.0 million; 240 school districts), school districts whose ADM increased between 1998-99 and 1999-2000 will receive \$400 times the ADM increase.

-For the Poverty Supplement (\$4.8 million; 27 school districts), a qualifying school district will receive \$50 times the number of children from low-income families. To qualify, the school district's percent of children from low-income families to its ADM must be equal to or greater than 10 percent.

-Each school district will be provided additional funding, if necessary, so that the total increase from the base supplement, growth supplement and poverty supplement shall equal a minimum of one percent (\$2.1 million; 71 school districts); or if the MV/PI AR is equal to or greater than .7000, a minimum increase of four percent (\$13.8 million; 109 school districts).

-A Minimum per Average Daily Membership is provided. If a school district's 1999-2000 funding allocation divided by its 1999-2000 Average Daily Membership (ADM) is less than 101% of its allocation, the school district will receive additional funding to provide a 1% increase in its funding per ADM over its 1998-99 allocation per ADM. (\$4.177 million, 90 districts).

-For Small District Assistance (\$9.0 million; 112 school districts), a qualifying school district will receive \$75 times its ADM. To qualify, the school district's ADM must be equal to or less than 1,500 and its MV/PI AR must be equal to or greater than .5000.

The **Special Education** appropriation was increased by \$16.7 million over that proposed by the Governor. With this additional amount, the Special Education appropriation has been increased by 8.8% or \$63.589 million over the current fiscal year.

Of this appropriation, \$714 million will be distributed through the Special Education

distribution formula. The FY 2000-2001 Special Education distribution formula provides for the following:

1. Each school district receives its 1999-2000 Special Education Formula Funding as a Base i.e. Supplemental Funding, Incidence Funding, and Minimum Increase Funding.
2. Each school district also receives a pro rata share of \$31.9 million new funding based on its market value/personal income aid ratio (aid ratio) applied to 16 percent of its average daily membership (ADM).

In addition to these amounts school districts would qualify for an additional supplemental payment if:

- the school district is a high expenditure and a high tax burden district (equal to or greater than 21.1 mills) (\$7.369 million).
- the school district has an incidence rate of mildly and severely disabled students at least 25% in excess of the statewide average (\$6.223 million).

School Districts would be guaranteed minimum 5 percent funding increase over the 1999-2000 base funding amounts for all school districts (\$3.308 million).

The special education contingency fund would increase from 1 percent to 2 percent of the special education appropriation, approximately \$15.3 million.

The Community Services Option funding would continue, approximately \$0.5 million.

The CORE Services funding would continue to intermediate units based on 5 percent of the special education appropriation, approximately \$38.0 million.

The Institutionalized Children-s Program funding to intermediate units, approximately \$9 million.

The FY 2000-01 budget contained an amendment (SB 652) to the school code which provides for an **Educational Empowerment Act**. Under this legislation, \$25.0 million will be distributed to eleven school districts, classified as empowerment school districts, by virtue of a history of low school assessment test performance. These school districts will be eligible for a base grant of \$450,000 and \$75 per pupil to fund school improvement plans aimed at improving the academic performance of these schools. The budget appropriation which contains these funds is entitled - **School Performance Grants**. It has been increased by \$5.0 million over that recommended by the Governor to accommodate the addition of the base grant of \$450,000 provided to each school district.

The School Districts receiving these additional funds are listed below. The funding

by school district is an estimate and should be treated as such pending notification by the Department.

CLAIRTON CITY SD	\$530,100
DUQUESNE CITY SD	\$519,075
STO-ROX SD	\$581,700
WILKINSBURG BOROUGH SD	\$608,625
ALIQUIPPA SD	\$588,375
HARRISBURG CITY SD	\$1,080,750
STEELTON-HIGHSPIRE SD	\$554,475
CHESTER-UPLAND SD	\$1,030,875
LANCASTER SD	\$1,259,850
PHILADELPHIA CITY SD	\$16,390,200
YORK CITY SD	\$1,018,575

The Governor has doubled, from \$16.7 million to \$33.538 million, the funding for **Performance Incentives** to schools. The budget contains an additional \$4.465 million in the **PA Assessment** appropriation to expand academic testing and standards. SB 652 amended the school code to expand the School performance Incentive program to reward school districts that maintain a high level of achievement for a period of three consecutive years. It also designated up to \$3.0 million of the School Performance Incentive appropriation for the School District Performance Measures (SDPM) project which provides grants to districts that engage in professional teacher accountability plans.

The **Teacher Professional Development** appropriation has received a \$4.130 million increase. The **Read To Succeed** appropriation, a four-year \$100 million initiative, has received \$25 million in funding for the programs second year and **Adult and Family Literacy** has received a \$5.317 million increase.

The Technology Initiative to the public schools has increased by 6.45% or \$1.3 million thereby bringing this public school appropriation to \$21.450 million. The **Governors School of Excellence** has received a \$300,000 increase to provide operational resources for the School of Information Technology. **Safe and Alternative Schools** has received a \$3.200 million or a 10% increase.

The Budget includes a \$70.464 million or a 41.47% reduction in the employers-contribution rate to **School Employees Retirement**. The administration has continued to note this reduction as cost savings to school districts.

The big winners in the proposed budget are libraries. The statewide library appropriation, **Improvement of Library Services**, has received a \$15.0 million or a 31.72 % increase; **Library Access** has received a \$663,000 or a 10.19% increase and the **School Library Catalog** has received a \$3.611 million or an 837.82% increase.

The budget (SB1) contains a 44.6% or a \$7.463 million increase for the **School Food Services** appropriation. This is \$3.7 million more than requested by the Governor. SB 652 which amended the school code statutorily authorizes reimbursement for the school lunch program in a new section. School lunch and breakfast would be authorized at ten cents with a two cents incentive for lunches when a school serves breakfast to less than 20% of its students and a 4 cents incentive for lunches when it serves breakfast to more than 20% of its population.

The budget (SB1) contains a new \$10 million appropriation for **Vocational Education - Equipment**. This is a new appropriation that was not included in the Governor-s budget. SB 652 amended the school code to assist area vocational technical schools and school districts with approved vocational technical school-s purchase equipment for certain types of programs through a grant program . The grants would be awarded on matching basis of two state dollars for every local dollar. The fiscal impact of this school code change is \$10 million. This funding is in addition to the \$1.546 million or 3% increase for **Vocational Education** recommended in the Governor-s budget.

The **Services to Nonpublic Schools** appropriation has increased by \$1.996 million or 3.0%. The **Textbooks and Instructional Materials for Nonpublic Schools** appropriation has increased by \$611,000 or 3.0%. **The Technology for Nonpublic Schools** appropriation has increased by \$2.0 million or 50%. This technology appropriation currently totals \$6.0 million.

The **New Choices / New Options** appropriation was reinstated after the Governor did not fund it in his budget. The appropriation is funded at its current level - \$3.7million

The aid for the seven school districts receiving **Temporary Special Aid** was reinstated in the budget (SB1). The Districts will continue to be funded at the current years level. The school districts will share \$1.3 million in Temporary Special Aid.

The budget (SB1) contains a new \$1.0 million line item for **Alternative Education Demonstration Grants**.

HIGHER EDUCATION INSTITUTIONS

The budget includes an 11.4% increase for Community Colleges, a \$20.0 million increase. The reimbursement for full-time equivalent students at Community Colleges is increased from \$1,300 to \$1,400. Based upon enrollments, the appropriation would be tentatively distributed to the community colleges as follows:

	1999-00 Allocation	2000-01 Allocation
Allegheny	\$28,870,379	\$31,277,829
Beaver	4,768,667	4,451,722

Bucks	13,158,046	13,760,090
Butler	5,369,110	6,259,853
Cambria	2,211,202	2,552,134
Delaware	12,268,819	13,542,316
Harrisburg	18,025,239	18,765,818
Lehigh/Carbon	6,164,492	6,534,922
Luzerne	9,894,068	10,797,825
Montgomery	12,251,024	13,099,915
Northampton	9,260,391	10,045,953
Northwest (Erie)	6,431,125	6,472,630
Philadelphia	27,849,906	30,718,217
Reading	5,399,441	5,951,562
Westmoreland	9,479,940	9,442,888
Total	\$171,401,849	\$183,673,674

In addition, \$2.0 million is included for Workforce Development Challenge Grants. These grants would be provided to community colleges that partner with industry consortia to develop and improve employee skills needed to meet current and future needs of key industries. Federal TANF monies B \$2.5 million B will be allocated to community colleges through the Department of Public Welfare, as start-up funding to develop programs to meet the educational needs of welfare recipients with an emphasis on work-study, remedial college preparation and education linked to employment opportunities.

The budget also includes \$5.0 million for Community Colleges for non-mandated capital.

A new initiative is a \$6.0 million higher education graduation incentive program to encourage public and private higher education institutions to offer the opportunity for undergraduate students to complete degrees within four years. Funds will be distributed to institutions who graduate at least 40% of its students within 4 years. Only the private

universities currently would qualify. The program will be administered by the Department of Education which will set-up guidelines.

The budget includes \$5.5 million for Higher Education Technology Grants, to provide for competitive grants focused on innovative approaches to community-based networking and for curriculum development for information sciences and technology programs. Funding will be targeted toward workforce development, research and professional development programs as well as infrastructure to interconnect community networks. Funding may also be targeted toward the development of curriculum for information sciences and technology programs. Through these networks, students and teachers will have access to a wide range of educational resources beyond the traditional institutions and geographic boundaries and will progress toward a future classroom which has no boundaries.

The budget includes \$6.0 million for Higher Education Equipment Grants budget. The funds are distributed to institutions of higher education for the purchase, lease or acquisition of Pennsylvania-based equipment in support of undergraduate instruction. Distribution of funds is based on full-time equivalent undergraduate students from all eligible institutions applying for grants. Those institutions eligible include: community colleges, state-owned and state-related institutions and independent colleges and universities.

Also included in the budget is \$1.0 million for Engineering Equipment Grants. Funds are provided for grants to engineering degree-granting schools to assist in the acquisition of new engineering equipment or the upgrading of existing engineering equipment that is necessary to provide students with the courses required to obtain a degree in engineering.

The budget increases the Higher Education for the Disadvantaged appropriation by 2.5% to enhance higher education opportunities for educationally and economically disadvantaged students.

STATE SYSTEM OF HIGHER EDUCATION

The State System of Higher Education will receive a 6.3% increase over 1999-00, a slight increase over the Governor's request. Included in this increase is \$19.3 million for program initiatives. In addition, the System will receive \$9.29 million in Keystone Recreation, Park and Conservation Fund money for deferred maintenance, and is eligible for a portion of the technology grants, the higher education equipment grants and the new higher education graduation initiative funds.

STATE-RELATED UNIVERSITIES

The State-Related Universities will receive a 5.7% increase in the budget, a 3.1% increase over the Governor's request. Lincoln University will receive a 13.9% increase. Additionally, all the state-related universities are eligible for a portion of the technology grants, the higher education equipment grants and the new higher education graduation initiative funds.

STATE-AIDED INSTITUTIONS

State support for the State-Aided Colleges and Universities does not increase in the 2000-01 budget with the exception of Drexel University which will receive a 2.5% increase and Veterinary Activities at the University of Pennsylvania which will receive a 7.3% increase. Drexel University has an Economic Co-op program. Students participating in this program get hands-on training at a community job. In addition, as in the current year, the budget recommends directing existing resources to the University of Pennsylvania's School of Veterinary Medicine in order to better recruit and retain Pennsylvania students through a resident grant program.

MCP Hahnemann University will receive \$4.0 million in transition funding and \$500,000 for Cardiovascular Studies. MCP Hahnemann University was formerly the Allegheny University of Health Sciences.

PA HIGHER EDUCATION ASSISTANCE AGENCY

The budget includes a 10% increase for the Grants to Students Program. This is the state's scholarship program which helps students pay tuition at an accredited college or university. Students who attend private schools, which charge higher tuition, generally qualify for more aid.

The PHEAA Board annually determines the distribution of funds to applicants on criteria including family income, family size and the cost of the institution the student will be attending. This increase will allow 148,000 students to receive awards for the 2000-01 academic year, and an increase in the average award of \$130 to \$2,335. The maximum grant award is \$3,200 for full-time students and \$1,600 for part-time students.

The budget also includes a \$2.3 million increase for the Institutional Assistance Grants Program or a 5.8% increase. These funds assist independent, post-secondary institutions to stabilize education costs which benefits student grant recipients enrolled at those institutions. This increase will allow the per capita grant to increase from \$1,072 to \$1,076 for an estimated 38,151 students.

The budget eliminates the Urban and Rural Loan Forgiveness Program, and continues the phase-out of the Agricultural Loan Forgiveness Program.

The Legislature has included \$100,000 for the Child Care Loan Forgiveness Program. The purpose of the program is to improve child-care services in the Commonwealth by forgiving up to \$2,500 a year in PHEAA Stafford Loans for a lifetime maximum of \$10,000 per recipient. Recipients are chosen by a lottery system.

The budget includes \$17.2 million to continue the SciTech and GI Bill Scholarships. Scholarships are provided to qualified students majoring in science or technology-related

fields of study in order to expand and support a knowledge-based workforce. In the current year, the deadline for applications was extended due to the low number of applicants.

A new source of federal funding, \$1.5 million, will be available to expand programs that serve low-income students, including grants and scholarships for post-secondary education.

An appropriation of \$1.05 million is included for the Cheyney University Keystone Academy, to recruit gifted students to enroll at the university.

ENVIRONMENTAL PROTECTION

The Department's **General Government** appropriation has received a \$645,000 or a 3.40% increase. Included in this amount is \$292,000 for mail handling enhancements.

The **Environmental Program Management** appropriation has received a \$1.534 million or a 3.82% increase. Within this increase is \$80,000 for air quality monitoring, \$90,000 for information technology support, \$465,000 for 19 drought monitoring wells, \$75,000 for longwall mining studies, \$67,000 for field office enhancements, and \$155,000 for watershed initiatives.

The **Office of Pollution Prevention and Compliance Assistance** has received a \$147,000 or a 13.39% increase. Included in this amount is \$206,000 for a Growing Greener Support Center establishing a single point of contact for grant requests.

The **Environmental Protection Operations** has received a \$5.196 million or 7.28% increase. Of this amount, \$634,000 is included for field office enhancements, \$741,000 establishes watershed coordinators who will manage and coordinate watershed initiatives and \$1.051 million is for participation in the statewide radio system.

The **West Nile Virus Control** appropriation has received a \$4.180 million or a 101.95% increase to monitor for the presence of the West Nile Virus in mosquitos, birds and other animals and to implement abatement activities.

Flood Control Projects have received a \$400,000 or a 39.02% increase. The **Susquehanna River Basin Commission** has received a \$54,000 or a 9.0% increase. **Black Fly Control and Research** has received a \$648,000 or a 15.86% increase for continuing programs. The **Sewage Treatment Operations Grants** appropriation has received a \$2.400 million or a 5.18% increase to continue current programs, and there is a new \$58,000 appropriation for the **Northeast-Northwest Institute** to support the Commonwealth's interest in a number of environmental initiatives.

There is a \$46.625 million or an 87.35% increase in funding for the **Environmental Stewardship Fund**. These program increases are part of the **Growing Greener Initiative**. Of this amount \$3.0 million or a \$1.017 million increase will be to plug abandoned and orphan oil and gas wells; \$10 million, a decrease of \$100,000, will be for abandoned mine reclamation and remediation; \$32.046 million, an increase of \$10.256 million will be devoted to watershed protection and restoration; and \$5.500 million, an increase of \$1.804 million will be for sewage and drinking water grants.

The budget contains an additional \$5.949 million for the **Safe Water** appropriation. This appropriation now totals \$18.415 million. It had been eliminated in the Governor's budget.

The budget contains a new \$2.0 million appropriation for **The Stevenson Dam Feasibility Study**; and a new \$300,000 appropriation for a **Sediment Characterization Study**.

GENERAL SERVICES

The Department has received a \$2.699 or a 4.56% increase in its **General Government** appropriation. The **Capitol Police Operations** has received a \$635,000 or a 9.45% increase. The **Utility Costs** appropriation has received a \$3.066 million or a 26.47% increase.

DEPARTMENT OF HEALTH

The 2000-01 budget contains an appropriation of \$39.58 million for the Drug and Alcohol Program. This is a little more than a 2% increase over last year's budget. Last fiscal year this program received a similar increase, but the need for treatment exceeds the level of support found within this budget. Those who may contend that federal funds will cover the loss of state funds will find that the federal block grant for drug and alcohol programs during the 2000-01 state fiscal year are less than last year.

The 2000-01 fiscal year budget for the Department contained a number of new initiatives involving managed care issues. Most, if not all their initiatives, seemed to emanate from a number of reports that the Auditor General performed that dealt with the response time of the Department regarding health care complaints they received from patients in nursing homes and their families. One of the initiatives mentioned above is entitled, AManaged Care Consumer Information®. The budget contains \$794,000 in the 2000-01 fiscal year for this new program. It will first develop a needs assessment program to find out what is the key information that people seek regarding managed care. Then the Department will develop consumer information guidelines which will be distributed in print, as well as through the INTERNET.

There is another initiative worth \$300,000 in this Department's budget for the 2000-01 fiscal year. This new program will be used to automate the process for facility responses to deficiency statements and patient complaints. A portion of these funds will be used to monitor nursing care homes and hospitals that are being licensed by the Department of Health. The findings of the Department, regarding any deficiency, will then be posted on the INTERNET.

Another Departmental proposal that is being funded in this year's budget will provide information to consumers who are looking at the best services available in the area of long-term care or skilled nursing care facilities and home health care. It will also look at other issues related to long term health care such as financing. The 2000-01 budget provides \$1.460 million for this initiative. The Department will then distribute the information they have gathered and make it available to the public via brochures and the Internet.

The 2000-01 budget also provides additional funding of \$1.438 million to the Primary Health Care Practitioner program. The additional funds will be used primarily to improve access to medical care, especially dentistry and to address public health concerns through education.

HISTORICAL AND MUSEUM COMMISSION

The budget includes \$750,000 in the general government appropriation of the Commission to inventory, treat, preserve and catalog artifacts that are held in public trust by the Commission as the facilities housing these artifacts are renovated or expanded.

The Maintenance Program will receive \$2.0 million in the 2000-01 budget, an increase of \$1.0 million over the 1999-00 fiscal year. Funds from the Keystone Recreation, Park and Conservation Fund for historic site development are expected to decrease by over \$5.2 million in 2000-01. Funding is available to Pennsylvania non-profit organizations and public agencies that operate a publicly accessible historic property listed in, or eligible for, the National Register of Historic Places, or that operates a contributing historic property in a National Register historic district. Grants are awarded on a 50-50 matching basis and support projects in the areas of redevelopment, preservation and rehabilitation and restoration.

Funding for the Museum Assistance Grant Program is increased by \$50,000 to \$4.45 million. The Museum Assistance and Local History Grant Program is a competitive financial assistance process available to all qualified history related institutions within Pennsylvania. It is anticipated that 215 museum assistance competitive grants and 130 general operating support grants will be awarded in the 2000-01 fiscal year.

The budget includes a 10% increase in funding for the individual Non-Preferred Museums that historically receive funding. The Governor had proposed no increase.

The budget includes \$1.0 million for study and preservation of Pennsylvania monuments on the Gettysburg battlefield and \$500,000 for the Regional History Centers.

INSURANCE DEPARTMENT

The budget provides \$36.5 million in state funds, \$116.9 million in federal funds and \$29.7 million in existing cigarette tax revenue for the Children's Health Insurance Program (CHIP). These increases should boost enrollment from a projected 100,264 in the current year to 119,877 in 2000-01, or provide insurance coverage to an additional 19,600 children. As of May 2000, enrollment in the program is 96,947. Funding will also be used to expand outreach through an advertising campaign and to create a database to collect, organize and report program data.

An estimated 258,000 Pennsylvania children are uninsured. About 73,000 of them are eligible for but not yet enrolled in CHIP.

Funding in the current fiscal year budget, both state and federal, is available to fund

coverage for a total of 134,088 children; however given the current rate of enrollment growth which averages 1,962 a month, it is estimated that by the end of June, only 100,900 children will be enrolled.

CHIP provides free or low-cost health care to families that earn too much money to qualify for medical assistance, but not enough to afford individual coverage. Currently, children up to 19 years of age are eligible for both programs. The maximum family income (for a family of 4) for the free program is \$34,100 and for the subsidized program is \$40,068.

The Governor is proposing the \$105.8 million in Tobacco Settlement funds be used for an Adult Health Insurance Program, which would provide coverage for adults whose income is below 200% of poverty. The enrollees would pay a basic monthly premium for the coverage.

JUDICIARY

The most significant feature of the budget is the absence of any reference to statewide funding of local court costs other than the continued funding of court administrative staff legislated and funded in the spring of 1999. While the Supreme Court has been furnished with an additional \$1.073 million [10.38%], the separate line item for studying a unified judiciary [\$764,000 in 1999-2000] have been deleted.

The Conference Committee Report contains three changes to the Governor's budget requested by the Judiciary. [1] The appropriation contained in the 1999-2000 budget for the Equity Commission has been made a continuing appropriation through next fiscal year. [2] Funds for the Courts of Common Pleas, District Justices, the Philadelphia Traffic Court and the Philadelphia Municipal Court have been increased to provide the required resources for long term care insurance for judges. [3] Language to authorize the transfer of funds among appropriations has been restored.

The separate appropriation for the Pittsburgh Magistrate Court has been eliminated.

LABOR AND INDUSTRY

The \$22.7 million General Government appropriation for the Department is increased more than \$9 million above the current year. The increase includes \$4.5 million to replace federal funds for computer upgrades, and \$3.3 million to replace federal support for compensation and employment insurance programs. The \$11.5 million Occupational and Industrial Safety appropriation includes \$622,000 to implement the Uniform Construction Code Act, and \$267,000 to increase boiler inspections.

The transfer to the Vocational Rehabilitation Fund is increased by slightly more than \$1 million to \$35.1 million. The Supported Employment appropriation of \$1.05 million includes a \$50,000 increase. Centers for Independent Living will receive \$1.218 million, a \$58,000 increase. The \$809,000 Assistive Technology appropriation has been shifted from the Department of Public Welfare.

The Federal Workforce Investment Act of 1998, which replaces the Job Training Partnership Act, will give the state considerable flexibility to streamline the delivery of federally funded job training services. Although, the new Act will not be effective until July 1, 2000, numerous programs have already been consolidated into three basic grants: adult employment and training, disadvantaged youth employment and training, and adult education and family literacy programs.

Working through the Human Resources Investment Council, the state is restructuring its entire job training delivery system. New local workforce investment boards have been created to oversee the local delivery of services. The Department of Labor and Industry, the lead agency for administering interagency employment and training programs, is actively involved in this significant restructuring of the state's \$600 million job training and workforce education system.

Federal Workforce Investment Act funds will provide an estimated \$224.2 million to the commonwealth during the next fiscal year. Pennsylvania Conservation Corps funding will remain at \$6.352 million. The new budget includes \$500,000 to further develop and implement the internet based system for processing unemployment compensation claims. Funding for Employment Services initiatives is increased to \$12.57 million.

EMERGENCY MANAGEMENT AGENCY

This 2000-01 budget provides \$25 million to volunteer fire companies under a grant program. The Emergency Management Agency is uncertain exactly how the grants will be allocated to the volunteer fire companies. One plan to distribute the money would be to split 50% of the money to all the volunteer fire companies, 30% based on need and 20% should be allocated to those volunteer fire companies that have the ability to raise matching local funds.

The Emergency Management Agency will also be receiving in this budget \$2 million for Hepatitis C screening. It is estimated that approximately 214,000 firemen may have this disease based on the Center for Disease Control figures from across the United States. This disease is easy to contract via the blood, and the treatment for the disease is lengthy and painful. Screening of Hepatitis C will enable the disease to be detected early and therefore reduce the risk of serious illness.

PUBLIC WELFARE

Direct Care Workers

The budget contains no funds specifically designed to raise salaries for direct care workers in any of the human services programs.

In early 1999, the Legislative Budget and Finance Committee reported that 33,000 statewide mental health/mental retardation direct care workers earned an average of \$8.13 an hour or \$15,854 annually. According to the study, 22% earn less than \$7 per hour. This is in contrast to the salaries of similar workers in state operated MH/MR facilities, who earn \$14.50 per hour.

To combat this problem, the MH/MR Coalition 2000, a group of statewide providers, family and advocacy organizations and county programs requested substantially increased funding, based on the assumption that the problem could be worked on over a two year period.

The request in increased funding was for \$67 million [two-thirds of the total request] in the 2000-2001 budget with an additional \$33 million in the 2001-2002 fiscal year. For the first year, \$45 million would go to mental retardation programs and \$22 million to mental health.

While they did not make any specific proposals, child care workers made the following points with regard to the plight of child care workers's wage levels:

According to the Keystone Research Center, in 1998, Pennsylvania child care workers earned only \$6.25 per hour. According to Annie E. Casey Foundation, Pennsylvania child care workers earn less relative to other wage earners than in any other state.

The Legislative Budget and Finance Committee 1999 study indicated that child care workers earn approximately one-third the amount elementary school teachers earn.

Similar efforts were made on behalf of nursing home workers.

MH/MR and Other Disabilities

The major thrust of the Governor's Department of Public Welfare budget was in the area of community supports for the mentally ill, mentally retarded and physically disabled. While the Ridge Administration has proposed and implemented initiatives in this area in the past two budgets, the budget for 2000-01 was partially inspired by mental retardation waiting list advocacy and litigation as well as the recent decision by United States Supreme Court in **Olmstead v. L.C.**

The Olmstead decision interpreted Title II of the Americans with Disabilities Act. The Supreme Court determined that it is discrimination to deny people with disabilities services in the most integrated setting appropriate. The Court stated: "institutional placement of persons who can handle and benefit from community settings perpetuates unwarranted assumptions that persons so isolated are incapable or unworthy of participating in community life," and "confinement in an institution severely diminishes the everyday life activities of individuals, including family relations, social contacts, work options, economic independence, educational advancement, and cultural enrichment."

The budget provides more than \$15 million to provide home and community based services for the mentally retarded. An additional 1,453 persons will receive services in 2000-01 and 2,359 in the following year. In addition, 2,852 persons now receiving services will receive enhanced services.

The Community Mental Retardation appropriation also contains \$20.8 million to annualize the placements made during the current fiscal year. It also supports a transfer of 141 ICF/MR beds to community waiver beds. The cost in the one appropriation is basically offset by savings in the other. While appropriating expanded funding for next year, the supplemental appropriations portion of the General Appropriation Act reduces the current year appropriation for Community Mental Retardation by \$6.5 million.

The Mental Health budget contains \$5.5 million to provide home and community based alternatives to 200 persons currently residing in State Mental Hospitals. However from February to May, the Governor has reduced his current year request for Mental Health Services by \$12 million.

The Conference Committee added a new appropriation of \$400,000 for mental health advocacy.

At the Governor's request, the budget contains \$1.3 million increase in the appropriation for Services to Persons with Disabilities. It will provide home and community based services to 100 additional persons with disabilities including autism and traumatic brain injury.

There has been a concerted effort by a large number of groups to add \$10 million to the Behavior Health Services and Act 152 non-hospital residential addiction treatment. \$5 million of these funds have been restored in the Conference Committee Report.

Income Maintenance

The budget does not support any of the proposed changes included in HB 1266 which would ameliorate some of the harsh edges of welfare reform. Nor does the budget contain any funding for a grant increase, although no grant increase has been provided since January of 1989.

In the current fiscal year and next year, the Cash Grant appropriation will be less than \$300 million. As recently as the 1996-97 budget, the state appropriation for Cash Grants was \$523 million. A comparison in public assistance caseloads will show the basis for the savings.

Type of Assistance	December 1996	December 1999	April 2000
AFDC/TANF	454,941	227,610	221,017
General Assistance	70,236	43,786	43,054
State Blind Pension	1,227	894	848
TOTAL	526,404	272,290	264,919

Not only has there been substantial savings in state funds, but the administration has refused to spend large portion of available federal TANF funds. Federal law provides \$719.5 million per year in TANF funds. Due to failure to spend funds in prior fiscal years, Pennsylvania had \$1.031 billion available for the October 1, 1998-September 30, 1999 federal fiscal year. Of that amount, DPW transferred \$127 million to the Federal Child Care Block Grant, leaving \$904 million in TANF funds available. During the fiscal year, the administration spent only \$603 million, leaving more than \$300 million unexpended by the end of the fiscal year.

Even though the need for state funds for cash grants has decreased by more than 40% in the last three years and even though the unexpended portion of the TANF grant represents more than 40% of the amount allocated to Pennsylvania per year, the Administration continues to object to the slightly liberalizing modification in HB 1266.

Persons who receive federal Supplemental Security Income [SSI] also receive a

basic state supplement of \$32.40. Although the federal payment is increased by an annual COLA similar to that provided to Social Security recipients, there has not been an increase in the basic state supplement since at least 1981.

Beginning in November of 1982, the Commonwealth recognized that SSI recipients in personal care or domiciliary care should receive a larger supplement to help make payments to the personal care home provider. For the next ten years, that payment was slightly less than \$120 per month in addition to the basic supplement. That amount was increased to \$301.90 per month beginning in July 1993. However, it has not been increased since that time. The funding for the increased supplement has not come from state funds, but from the funds generated by the Intergovernmental Transfer agreement between the counties and the department relative to nursing home care. The personal care home industry is requesting an increase of \$15 per day, raising the state monthly payment from \$301.90 to \$758.15. While this may seem expensive, it is substantially less expensive than nursing home care.

New Directions

State funds for New Directions programs will be reduced by \$12.4 million below current year funding. The total \$201.7 million spending plan, including federal funds and funds from other agencies, will reduce funding by more than \$15.6 million from the current year. The largest reduction will cut welfare to work contracts with local job training service providers by \$13.8 million. Subsidies and support services for the Work Activities Experience program will also be drastically reduced.

The current year budget combined \$40 million in federal spending with \$27 million in redirected current year appropriations, (including \$34 million from TANF) to fund the Work Activities Experience program. The program funded short term (maximum 6 month) paid work experience and job readiness skills training for 16,000 TANF individuals facing the two year deadline for mandatory work. Much of this available year appropriation was never spent. The new budget reduces total funding for Work Activities Experience to \$24 million, including about \$12 million from TANF.

Child Care/Child Welfare

Although the Governor is claiming a great liberalization of the rules concerning child care, in fact he is retreating toward the position advocated by Senate Democrats. Beginning in April 2000, the subsidized day care program raised income eligibility from 185% to 200% of the federal poverty level and reduce the family co-payment. During the 1999-2000 fiscal year, provider rates were increased 14.2%.

The Governor is also recommending an additional \$10 million in federal child care block grant funds for care giver training; seed money for the expansion of infant/toddler

care, non-traditional service hours, school age child care; equipment, minor repair and renovations; and health and safety upgrades. This initiative is projected to create 3000 slots in 2000-01 and 6,000 in the following year.

While the Governor and Republicans may claim improvements in the child care program, this budget and accompanying policy changes does not do any of the following:

B Increase income eligibility up to 235% of poverty, making income guidelines consistent with CHIP

B Improve access to the program for kinship caregivers such as grandparents.

B Lower the minimum work week required from 25 to 20 hours in recognition of the fact that many welfare recipients are able to secure 20 hours a week.

B Provide for child abuse and criminal history checks for all providers who accept public funds.

While there is no expansion of child welfare, the budget contains an additional \$26.9 million to support county needs based budgeting, \$6.2 million for a 2% COLA and \$800,000 for information system enhancements and training.

Medical Assistance

While the Medical Assistance appropriations for the next fiscal year are generally at levels requested by the Governor in February, the supplemental budget for the current year provides an increase of nearly \$64 million, particularly in the fee for service categories. The following chart will indicate the changes.

Appropriation	1999-2000 February Req.	1999-2000 May Req.
Outpatient	\$574,770	\$622,669
Inpatient	\$350,849	\$392,528
Capitation	\$1,389,519	\$1,384,763
Long Term Care	\$714,802	\$693,625
TOTAL	\$3,029,940	\$3,093,585

However, the long term trend is a transfer from fee for service programs to capitation programs [particularly Health Choices Southeast and Southwest]. The budget contains some funding to plan and implement the mandatory Health Choices program in the ten-county Central Pennsylvania/Lehigh Valley area. The Request for Proposal [RFP] is scheduled to be released August 15, with responses due October 15. Voluntary conversions will occur by October 1, 2001 and full implementation is scheduled for April 1, 2002.

Act 35 of 1996 which was projected to eliminate medicaid eligibility for more than 200,000 persons each year, has been in effect for nearly three years. The Inpatient appropriation continues Community Access funding instituted as assistance to those hospitals most impacted by Act 35. The Governor's Tobacco Settlement proposals also contains funding for uncompensated care.

Social Services

All human service programs included in the Department of Public Welfare budget will receive a 2% cost of living increase computed on only the state funds that make up the program. The 2% cola is the only increase recommended by the Governor for Domestic Violence, Rape Crisis, Community Based Family Centers, Human Services Development Fund, Legal Services, Expanded Medical Services for Women, Pennhurst

Dispersal, Breast Cancer Screening, Homeless Assistance and Attendant Care.

The Conference Committee added \$300,000 for Breast Cancer Screening. The dispute over abortion language in the Expanded Medical Service for Women was resolved by adopting the language contained in last year's General Appropriation Act.

Youth Development Institutions

The appropriation for Youth Development Institutions and Forestry Camps is reduced to \$65.663 million, nearly \$15 million below the original available year funding level. The final budget agreement has also reduced the current year appropriation by more than \$6.6 million. The reductions result from the August closing of the Bensalem Youth Development Center, saving an estimated \$9.5 million, along with a declining youth offender population adjudicated to state custody.

The reduction has resulted from the combination of declining juvenile crime rates, as well as, an increasing number of violent juvenile offenders who have been sentenced to adult corrections institutions. No expansions are anticipated to the existing state facility capacity for 793 youth offenders. In July of 1999 there were 764 juveniles within the system.

PURTA Distribution to Local Governments

Every October the Department of Revenue distributes to municipalities and school districts the PURTA tax revenue collected in the previous fiscal year. Last year the PURTA tax was fixed to provide a reliable tax collection stream. In the 2000-01 fiscal year the revenue collected under the first year of the new tax will be distributed. That amount is a 61% decrease from the previous year's distribution. In this current year \$136.7 million was distributed; this year only \$53 million was appropriated.

STATE POLICE

The 2000-01 budget includes \$10.1 million (General Fund) and \$14.3 (Motor License Fund) for funding the CLEAN (Commonwealth Law Enforcement Assistance Network) system. The Commonwealth has been funding this system since 1997. The CLEAN system is a new communications system for the State Police. It will change the way the State Police interface with other law enforcement agencies and criminal justice communication systems. Prior to CLEAN, the State Police had a proprietary communication system that did not interface well with other law enforcement agencies. But with the CLEAN system, the State Police can communicate more easier and receive

more information from other law enforcement agencies and criminal justice programs and systems. Additionally, this appropriation will implement a data quality assurance protocol to identify and correct conflicting data.

This budget contains \$2.88 million (General Fund) and \$6.12 million (Motor License Fund) for the purchasing of new patrol vehicles. This is a reduction of approximately \$1.4 million from last fiscal year. This is surprising since in 1998-99 the State Police had 27% of their vehicles with over 100,000 miles on them and 50% had more than 70,000 miles. This is the second straight year that the Governor has reduced the appropriation for vehicles at a time when the vehicles are getting progressively older.

This budget contains an appropriation of \$2.785 million within the General Government Operation line item of the State Police. This money will be used to replace out-dated forensic equipment and other types of equipment used for criminal investigations and law enforcement. A separate initiative of \$335,000 is found within this budget to provide additional personnel in the State Police labs. Due to the increasing number of DNA samples taken by law enforcement officials there is a back-log in the number of tests. This additional money is an effort to reduce the backlogs by increasing personnel.

DEPARTMENT OF TRANSPORTATION

Highways

The 2000-01 budget provides a total of \$551.357 million for highway and bridge construction. This includes the following appropriations: Highway and Safety Improvements, Highway Capital Projects, Highway Capital Projects (EA-Executive Authorization), Highway Bridge Projects (EA), and Bridges-Excise Tax (EA). Last fiscal year \$537.863 million was appropriated for the same programs.

The 2000-01 budget includes \$1.04 billion for maintenance projects, a \$39 million reduction from the \$1.079 billion appropriated for the current year. Maintenance appropriations include: Highway Maintenance, Secondary Road Maintenance and Resurfacing, Highway Maintenance Safety Projects, Highway Maintenance - Excise tax, (EA), Highway Maintenance Enhancement (EA) and Highway Betterment (EA).

The new budget appropriates \$8.017 million for base stations and mobile and portable radio equipment for agency participation in the Statewide Public Safety Radio System. This system will allow all the state agencies to better communicate with each

other using a single, unified, wireless communications system. This replaces the stand alone systems which had difficulties in inter-agency communication networks.

Transit

Mass Transit Assistance grants will be increased by 3 percent in the proposed budget. This \$270.19 million will be supplemented by Public Transportation Assistance Fund (PTAF) Grants of \$175 million for urban transportation operators. Rural Transportation systems will receive a \$2 million General Fund grant, along with \$4.969 million in projected PTAF receipts.

Clouding the future financial support for transit systems throughout the commonwealth is continued uncertainty over future PTAF revenues due to changes to public utility taxes related to utility deregulation. The Public Utility Realty Tax has provided a major portion of PTAF revenue since its creation in 1991. This funding source provided nearly \$60 million annually to PTAF a few years ago.

Next year, PURTA revenue, along with supplemental Gross Receipts Tax collections, are projected to decline by more than \$35 million. Moreover, these revenues are expected to be substantially less in future years. When utility deregulation was enacted, transit agencies were promised they would not be hurt by these tax changes. Now, attempts to provide supplemental assistance to replace the lost revenue continue to be opposed by the Governor.