



# Governor Wolf's Budget Proposal

February 8, 2022

- Governor Wolf is proposing a \$43.7 billion budget for FY 2022-23
- That is an increase of **\$6.2 billion, or 16.6%** over the prior year.
- This equates to \$17 million per day and \$1,055 annually per working Pennsylvanian in new state spending.
- The Governor also proposes to spend the entire remaining balance of the federal ARPA funds of \$2.2 billion.
- Governor Wolf is squandering the healthiest reserve our state has had in decades in a selfish desire to spend away his legacy of failed leadership.
- His proposal was developed in a **fiscal fantasy land**, with no concern for future fiscal years – after all he is a lame duck governor in his final year.
- In fact, he even uses voodoo math to try and hide the impacts of his **fanciful spending spree** – using arbitrary revenue and expenditure estimates in future fiscal years to try and trick the public into believing that he is leaving a surplus for his successor.
- If Gov. Wolf's proposal is plugged into the Independent Fiscal Office's official 5-year outlook and mid-year revenue estimate, it shows a nearly **\$800 million deficit** already in the 2023-24 fiscal year.

## Voodoo Math

- The Governor's phony five-year financial statement makes arbitrary adjustments to revenue and expenditure estimates in an attempt to cover up the impact of his spending spree.
- The Governor's revenue estimates over the next five years are \$5 billion higher than the Independent Fiscal Office's.
- He then presents disingenuously low projected expenditures in the out years, after proposing a 16.6% spending increase this year. In 2023-24, he shows a total increase of a little more than \$100 million, or 0.3%.
  - For that to occur, you would have to assume no growth in entitlement programs, no additional services for persons with an intellectual disability, no additional services for our state's aging population, and no increase in school funding or support for higher education.
- Make no mistake about it, squandering our entire fiscal reserve now will lead to either deep programmatic cuts or massive tax increases in the very near future.

## **Revenue Changes and Fund Transfers**

- Corporate Net Income Tax- Proposes to strengthen addback provisions, add economic nexus rules, and adopt market sourcing for intangibles for tax years beginning on January 1, 2023 and reduce the CNIT rate from 9.99% to 7.99%. The CNIT rate is proposed to be further reduced to 6.99% in 2026; and 5.99% in 2027.
- The proposal includes a one-time transfer of \$45 million in Personal Income Tax revenue to the School Safety and Security Fund.
- There is a transfer of \$36.6 million of unexpended funds from the Medical Marijuana Program Fund to the General Fund to offset Department of Health operations.
- The Governor proposes to keep the deposit of Table Games tax proceeds in the General Fund.

## **PreK-12 Education**

- PreK-12 education would increase by \$2.03 billion, an over 15% increase.  
Basic Education Funding: Governor Wolf is seeking a \$1.55 billion increase. This includes a \$1.25 billion increase in the normal BEF formula and \$300 million for the Level Up initiative.
- Special Education: This line item is proposed to be increased by \$200 million.
- Career and Technical Education: There a proposed increase of \$6.14 million.
- PreK Counts: The governor is proposing to increase this line item by \$60 million.
- Head Start Supplemental Assistance: The governor is proposing to increase this line item by \$10 million.

## **Charter Schools**

- The Governor's 2022-23 budget proposes comprehensive Charter School Law reform that the administration estimates will cut charter school payments by \$373 million per year.
  - This includes applying the Special Education Formula to all charter schools, which will cut an estimated \$174 million annually, and establishing a statewide cyber charter tuition rate, which is estimated to cut \$199 million annually.
  - The Governor believes these resources can be reinvested into meeting a minimum annual teacher salary of \$45,000, which is proposed as a part of the Governor's 2022-23 budget.

## **Higher Education**

- Total Higher Education funding increases by \$125 million.
- Funding levels for Penn State University, the University of Pittsburgh, Temple University, Lincoln University, and the Thaddeus Stevens College of Technology are all proposed to increase by 5%. The total proposed 2022-23 funding amounts for each are as follows:
  - Penn State \$282.3 million
  - Pitt \$162.6 million
  - Temple \$166.1 million
  - Lincoln \$15.92 million
  - Thaddeus Stevens \$19.6 million
- The budget proposal seeks to repurpose \$88 million from the PA Race Horse Development Trust Fund and allocate \$112 million in federal relief funds to create the \$200 million Nellie Bly Tuition Program. The grants will be awarded to targeted full-time students at PASSHE schools and community colleges who agree to stay in Pennsylvania for the same number of years as they received the grant.
- Funding for the State System of Higher Education is proposed at \$552.47 million for 2022-23, an increase of \$75 million, or nearly 16%.
- The primary Community College operating appropriation is proposed at \$257.5 million for 2022-23, an increase of \$12.26 million, or 5%.
- The Transfer to the Community Colleges Capital Fund increases by \$2.6 million, to \$54.7 million, an increase of 5%.
- The budget proposes a new \$1 million Hunger Free Campus initiative to establish a grant program for students at postsecondary institutions.
- PHEAA Grants to Students are \$350.37 million, an increase of \$39.64 million, or 12.8% (The Governor's budget proposes that PHEAA again use \$15 million of its reserves to support this program in 2022-23).
- PHEAA Ready to Succeed Scholarships increase to \$16.38 million, a \$10.83 million increase, or 195%.
- PHEAA's Targeted Industry Scholarship Program increases to \$8.65 million, and increase of \$2.35 million, or 37.3%.

## **Human Services**

- State funds are proposed to increase by \$3.28 billion or 21.8% over FY 2021-22, which is comprised of the following:
  - More than \$2.4 billion or 74% of the increase is attributable to the loss of enhanced Federal Medical Assistance Percentage (FMAP) provided during the COVID-19 pandemic.
  - More than \$165 million of the increase is due to a decrease in the regular FMAP.
  - The remaining \$692 million represents year-over-year programmatic growth of 3.96%.
    - The majority of this growth is attributable to long-term services and supports provided through Community HealthChoices, as well as services to individuals with intellectual disabilities and/or autism.
- There is a \$14.3 million initiative to provide an increase in the minimum monthly SNAP benefit for elderly or disabled individuals.
- Supplemental payments to personal care homes would increase under a \$50 million initiative.
- There is an initiative to increase county mental health base funding by more than \$36 million.
- There is a \$18.8 million initiative for the Intellectual Disabilities-Community Waiver Program to serve 832 individuals currently on the emergency waiting list.
- County Child Welfare includes a \$1.8 million initiative to support expansion of court-appointed special advocates for children.
- There is a \$15 million initiative to expand access to evidence-based home visiting programs.

## **Health**

- The department's GGO and State Laboratory appropriations include a \$3.98 million initiative to enhance public health infrastructure.
- There is a new \$5 million appropriation to support gene therapy research.
- There is a \$7.2 million initiative to increase support to local health departments.
- Funding for various disease research programs that are typically zeroed out by the Governor and restored by the Legislature are level funded.

## **Transportation and State Police**

- The Governor proposes to accelerate the planned phase down of Motor License Fund dollars used to fund State Police operations, shifting those costs to the General Fund. The Motor License Fund portion of State Police funding would drop from \$673.5 million to \$500 million. The increase in available Motor License Fund dollars would be used to meet the 20% match for new transportation funding from the Infrastructure Investment and Jobs Act.
- The budget proposal has \$14.1 million for two new State Police classes of approximately 200 total cadets beginning in FY2022-23.
- There is a \$7.7 million initiative to provide for technology enhancements such as mobile video recorders and body worn cameras.
- The Pennsylvania Instant Check System (PICS) would receive an increase of \$1.57 million, or 35.7%.

## **Corrections**

- Total Corrections spending increases by \$108.5 million to \$2.78 billion, an increase of 4%.
- The largest increase is in State Correctional Institutions, which accounts for \$82.7 million of the increase.
- The Board of Probation and Parole is also proposed to get a 7% increase, or \$844,000.

## **Agriculture**

- The governor is proposing a \$12.36 million increase for the Department of Agriculture, a 7% increase.
- Agricultural Preparedness and Response increases by \$3.5 million for a new initiative to monitor and respond to impacts of invasive species.
- The State Food Purchase program receives a \$2 million increase.
- There is a \$1.34 million supplemental request and a \$1.66 million increase in the Transfer to Dog Law Enforcement.
- The Transfer to Penn State Ag Research increases by \$2.75 million, or 5%.
- The University of Pennsylvania Center for Infectious Disease receives a \$1.598 million, or 541% increase.

## **General Services**

- Overall, the department has a proposed increase of approximately \$39.6 million, or 30.4%.
- General Government Operations increase of \$6.7 million, or 12%. The increase includes an initiative to “provide resources to support efficient and effective service delivery”.
- There is a new \$30 million initiative to provide access to childcare for commonwealth employees.

## **Emergency Management**

- Disaster Relief is a new line item of \$5 million to provide the State match for federally funded projects.
- State Disaster Assistance is a new initiative of \$10 million to provide disaster assistance to individuals including access to safe, secure and weathertight homes.
- Hazard Mitigation is a new line item of \$20 million to provide the State match for federally funded projects.

## **Environmental Protection**

- General Government Operations increases \$3.170 million, or 19%, which includes \$2.336 million for an initiative to provide State match requirements for federal infrastructure funding.
- Environmental Program Management increases \$8.137 million, or 24%, which includes \$2.412 million to continue current operations and \$5 million for a new initiative for 41 new staff positions and resources to support clean water, waterways, and wetlands programs.
- Environmental Protection Operations increases \$19.079 million, or 19.5%, which includes \$2.902 million to continue current operations and \$13.4 million to reflect changes in other special fund sources.
- There is a proposed transfer of \$10 million from the General Fund to the Recycling Fund for grants to municipalities.
- The Governor’s budget estimates that \$410.6 million will be generated by Regional Greenhouse Gas Initiative (RGGI) taxes, which he proposes be deposited in the Clean Air Fund to be used for greenhouse gas abatement, energy efficiency, and clean and renewable energy programs.

## **Conservation and Natural Resources**

- General Government Operations increases \$3.116 million, or 11%, which includes \$500,000 for a new initiative to increase resources and six (6) new staff positions to support outdoor management, recreation and safety.
- State Parks Operations increases \$12.530 million, or 23%, which includes \$5.205 million to cover the loss of park user and services fees, a loss of \$2.5 million in Oil and Gas Lease funds for operations, and \$800,000 for a new initiative to increase resources and 10 new staff positions to support park operations and public safety.
- State Forest Operations increases \$10.273 million, or 24%, which includes \$6.605 million for system and equipment upgrades, a loss of \$2.5 million in Oil and Gas Lease funds for operations, a loss of \$1.666 million in other revenues for management, recreation and safety, and \$1.2 million for a new initiative to hire fifteen 15 new staff positions to support forest operations and recreation and safety.
- Forest Pest Management is a new initiative of \$5 million for monitoring and control of insect threats to forest health.

## **Military and Veterans Affairs**

- General Government Operations increases \$3.043 million, or 11.5%, which includes \$380,000 to increase resources to ensure adequate coverage of access control points at Fort Indiantown Gap; \$209,000 to increase resources to enhance veteran services; \$445,000 for a new initiative to provide intervention services to prevent suicide among PA National Guard members; and a \$500,000 initiative to expand veterans services provided. This also includes 11 new staff positions
- Veterans Homes increases \$33.605 million, or 30%. This includes \$8.689 million to replace federal funding received in FY2021-22 for COVID-19 response; \$8.482 million to reflect changes in federal operations and reimbursement funding; and \$14.091 million for 292 additional staffing and resources to implement proposed regulatory changes.
- Veterans Outreach Services increases \$477,000, or 14.5%, which includes \$284,000 for an initiative to increase outreach and resources to assist veterans access available benefits.