

PENNSYLVANIA
Budget and Policy Center

Budget Analysis **Pennsylvania's 2011-12 Budget**

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Overview

On June 30, the Pennsylvania General Assembly completed work on a 2011-12 state budget that achieves Governor Tom Corbett's primary objective — to meet a target spending number of \$27.3 billion or lower, regardless of the impact. The final budget spends \$27.249 billion, the lowest amount since the 2008-09 enacted budget, with cuts totaling more than \$960 million.

The budget employs a series of gimmicks to reduce the spend number. For example, it shifts some education and managed care costs from 2011-12 back into the 2010-11 fiscal year and delays some nursing home payments until 2012-13. It adds money to the General Assembly's 2010-11 budget, which makes the Legislative Branch's 2011-12 increase look smaller.

The budget uses only a small portion of a \$786 million 2010-11 year-end surplus — around \$200 million. The Governor's March budget proposal predicted a year-end surplus of just \$78 million; the final surplus is 10 times that amount. State lawmakers chose to make cuts to education, health care and human services in 2011-12 rather than use a greater share of the surplus.

Under current law, 25% of a year-end surplus is designated for the Rainy Day Fund, and the rest is available for appropriation in the next fiscal year. In the budget, the transfer to the Rainy Day Fund was suspended, a condition of receiving funds through the American Recovery Act (ARRA). With 2010-11 lapses, perhaps as much as \$1 billion is carried forward and unappropriated in 2011-12.

The budget presumes revenue growth of 1.2% in 2011-12, far less than the 4.7% assumed in the Governor's budget in March. If revenue grows faster, which seems highly likely, the General Fund will accumulate a healthy surplus going into next year's budget and could set the stage for big tax cuts in what will be an election year.

General Fund Summary (in \$ thousands)					
	2010-11 Available	2011-12 Proposed Budget	2011-12 Budget Agreement	Change from 2010-11 Available	Percent Change
State Funds	\$25,155,536	\$27,331,219	\$27,248,585	2,093,049	8.3%
Federal ARRA Funds	\$3,054,992	\$0	\$0	(3,054,992)	-100%
Total Spending	\$28,210,528	\$27,331,219	\$27,248,585	(961,943)	-3.4%
Total Spending (with Tobacco Fund)	\$28,486,218	\$27,331,219	\$27,485,168	(1,001,050)	-3.5%

The biggest challenge for 2011-12 was replacing more than \$3 billion in ARRA dollars. That money helped make up for reduced state revenue during the recession, preventing program cuts and job losses. While most Department of Public Welfare (DPW) programs had ARRA dollars replaced, most of the education programs did not.

Public schools and universities bear the brunt of the reductions in the 2011-12 budget. Grants to school districts, including the basic education subsidy, reimbursements to school districts for the loss of students to charter schools and other program cuts total more than \$860 million, while higher education institutions, including Penn State and the other three state-related universities, community colleges, and the 14 State System of Higher Education universities, are reduced by \$245 million.

The budget also makes big reductions to DPW programs, including welfare-to-work and human services. While the overall reduction from current year spending is relatively small, less than 1%, the budget underestimates hundreds of millions of dollars of spending in the Medical Assistance program, which will either be addressed through supplemental appropriations later in the fiscal year or through program savings.

The Welfare Code bill enacted in concert with the budget gives DPW broad authority for one year to make program changes to cut costs. This includes the ability to sidestep formal rulemaking processes and to change program eligibility, modify benefits and provider payments, and to eliminate presumptive eligibility. This authority is granted with the goal of keeping DPW expenditures, including expenditures on entitlement programs, within budgeted amounts.

Despite furious last-minute activity, the budget, once again, fails to adopt a tax on natural gas drilling in the Marcellus Shale. In 2010, drilling tax proposals would have used some revenue to avoid budget cuts; in 2011, none of the leading proposals have an impact on the General Fund.

The budget also failed to address publicly financed school vouchers, despite a late push by the Governor. Voucher proposals in the House and Senate would have cost an additional \$75 million to \$200 million in the first year. This issue is likely to be debated by the General Assembly in the fall.

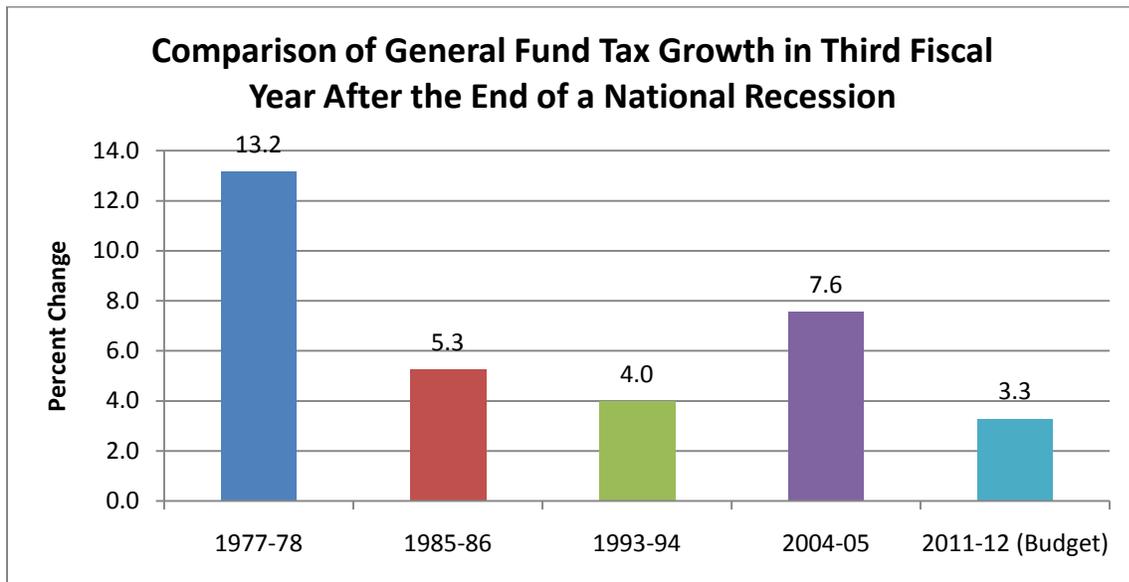
General Fund Revenue

Pennsylvania ended the 2010-11 fiscal year with General Fund revenue collections approximately \$786 million, or 2.9%, over projections. The 2011-12 budget does not transfer any of these funds into the Budget Stabilization Reserve Fund (known as the Rainy Day Fund). State law normally calls for 25% of a revenue surplus to be deposited into the Rainy Day Fund, but the Legislature waived the requirement.

Total General Fund revenue for 2011-12 is projected to be \$27.8 billion, a growth rate of 1.2% from actual collections in 2010-11. Tax collections are estimated to increase by \$872 million, or 3.3%. (in 2010-11, tax collections grew by \$1.6 billion, or 6.2%). Non-tax collections are projected to decrease by \$528 million, or 51%, to a total of \$226 million, closer to pre-recession levels.

The estimate for tax collections growth in 2011-12, as evident in the table below, is lower than in historically similar fiscal years (three full fiscal years following the end of a recession). While there are differences in tax changes that were made in these various fiscal years — both increases and decreases

to major taxes — the general trend indicates that tax revenue growth tends to be stronger coming out of recession than is anticipated in the coming fiscal year.



Sources. Data from Pennsylvania Department of Revenue and Office of the Budget publications.

The budget resumes cuts to the Capital Stock and Franchise Tax that were suspended during the recession. Beginning in Tax Year 2012, the tax rate will be cut by 35% (from 2.89 mills to 1.89 mills). The budget agreement includes no general tax increases.

Absent from this budget is a tax or fee on Marcellus Shale gas drillers. Such a tax was agreed to in the 2010-11 budget and passed the House, but was never considered by the full Senate.

The maximum authorized amounts of three tax credit programs were changed in 2011-12:

- Research and Development Tax Credit: Increased from \$40 million to \$55 million per year
- Film Production Tax Credit: Decreased from \$75 million to \$60 million per year
- Job Creation Tax Credit: Reduced from \$22.5 million to \$10.1 million per year (to match actual credit usage)

The budget agreement creates a new tax-free zone, Keystone Special Development Zones (KSDZ), and amends another program, the Neighborhood Improvement Zones (NIZ). State officials claim that these programs have no fiscal impact on the state. This is a departure from previous interpretation of similar programs, such as Keystone Opportunity Zones, which trigger a revenue loss of roughly \$20 million per year, according the Tax Expenditures section of the Executive Budget.

Tobacco Settlement Fund

The budget moves \$324 million in General Fund spending back into the Tobacco Settlement Fund. Governor Corbett had proposed transferring the annual payments from the Master Settlement Agreement directly into the General Fund, but this proposal was scratched in the final plan.

The budget does nothing to restore funding for adultBasic. Under Act 77, 30% of Tobacco Settlement dollars are allocated for adult health; recently, funding has been split between Medical Assistance for Workers with Disabilities (MAWD) and adultBasic. If the legislature followed Act 77, \$48.6 million would be available for adultBasic in 2011-12.

Although complete information on the Tobacco Settlement Allocation is not available, most appropriations appear to be funded at the level proposed in the Governor’s budget. The exception is Long term Care, which will receive an additional \$59 million in Tobacco Settlement Funds.

The Governor had proposed spending the April 2012 Tobacco Settlement payment in the 2011-12 budget, a departure from prior years. That will not happen. The \$220 million proposed for the Liberty Loan fund and \$140 million proposed allocation to the General Fund are not included in this budget.

Education

PreK-12 Education Funding (in \$ thousands)					
	2010-11 Available	Governor's Proposal 2011-12	Approved Budget 2011-12	Change from 2010-11	Percent Change
PreK-12 Education	\$8,976,912	\$9,204,582	\$9,432,949	\$456,037	5.1%
ARRA - Fiscal Stabilization	1,042,563	0	0	(1,042,563)	-100.0%
Total PreK-12 Education	\$10,019,475	\$9,204,582	\$9,432,949	(\$586,526)	-5.9%

Higher Education Funding (in \$ thousands)					
	2010-11 Available	Governor's Proposal 2011-12	Approved Budget 2011-12	Change from 2010-11	Percent Change
Higher Education	\$1,839,759	\$1,247,118	\$1,666,056	(\$173,703)	-9.4%
ARRA - Fiscal Stabilization	93,226	0	0	(93,226)	-100.0%
Total Higher Education	\$1,932,985	\$1,247,118	\$1,666,056	(\$266,929)	-13.8%

K-12 Education

In the 2009-10 and 2010-11 fiscal years, the Commonwealth used federal funds (ARRA and Education Jobs) to increase the basic education line item and supplant state General Fund dollars, leaving a \$1.064 billion hole in the education budget for the 2011-12 fiscal year.

The Governor’s budget did not fill that gap, proposing instead \$1.2 billion in cuts to major grant programs to school districts, including the basic education subsidy, Accountability Block Grants, the Educational Assessment Tutoring program, School Improvement Grants, and reimbursements to school districts for students moving to charter schools.

Overall spending in Pre-K to 12 programs fell by \$586 million, or 5.9%. Few lines items were increased: Pre-K early intervention increased by \$16 million, PA Assessments by \$4 million, and teacher retirement funding by \$313 million.

These proposed cuts primarily harmed the poorest school districts, which had benefited from education formula changes beginning in 2008 and which received the lion's share of charter school reimbursements.

The final budget makes some restorations, but leaves \$860 million of the \$1.2 billion in proposed cuts intact. The basic education line item is reduced from \$5.78 billion to \$5.35 billion. This is \$128 million more than the Governor proposed but \$421 million (7.3%) less than in the 2010-11 fiscal year. The Governor's proposed budget amounted to a \$545 cut per child; the final budget reduces that cut to \$410 per child.

Funds were restored unevenly, with wealthier school districts gaining the larger share of \$100 million in restorations put in place by the House. Fourteen poorer school districts shared \$29 million in additional restorations: Duquesne, Chester Upland, Lancaster, Allentown, Erie, York, Coatesville, Harrisburg, Midland, William Penn, Lebanon, and three in the Poconos, East Stroudsburg, Stroudsburg and Pocono Mountains.

The budget restores \$100 million of \$259 million in funding for Accountability Block Grants that had been eliminated in the Governor's budget. Accountability Block Grants provide the lion's share of funding for school district early childhood programs, including full-day kindergarten. The \$100 million is actually part of the 2010-11 budget, so this amount does not show up in the "official" 2011-12 totals.

The Charter School Reimbursement program, which partially compensates school districts for loss of state aid when a child moves to a charter school, was completely eliminated. While this impacts every school district, due to student enrollment in cyber charters, the bulk of the losses are concentrated in a few poor, urban systems.

Cost-savings initiatives were proposed but not finalized. The Governor sought and received changes to the Act 1 school budget referendum requirements, making it likely that more districts will need voter approval to increase school taxes.

The public library subsidy was flat-funded at \$53.5 million, now 28% less than before the recession.

After a great deal of publicity about violence in Philadelphia schools, the Safe and Alternative Schools line was funded at \$2.1 million.

Higher Education

Governor Corbett's budget targeted institutions of higher education with cuts of 50%. State colleges and universities fared much better under the final budget, but still sustained cuts of about 18%, or \$160 million.

These institutions had received \$91 million in ARRA funding during the previous two years which needed to be replaced with state dollars, leaving them vulnerable to reductions. The final budget does not bring expenditures anywhere near pre-recession levels.

Penn State received a cut of 19%, or \$50 million, in basic support. Funding for agricultural and agricultural extension programs was largely restored and transferred to a restricted account in the

Department of Agriculture. The University of Pittsburgh was cut by 20%, and the two other state-related universities, Temple and Lincoln University, each received cuts of 19%.

The 14 universities in the State System of Higher Education received a cut of 18%, or \$90.6 million. The cuts are apportioned to the campuses by the Chancellor. Cheney University's scholarship programs, Bond Hill and Keystone Academy were eliminated by the Governor but partially restored in the final budget.

The state's community colleges received a cut of \$23.6 million, or 10%, in their state appropriation. Cuts to employment and training programs, including New Choices and Industry Partnerships, also affect the community college system, which administers many of those programs.

Health Care and Public Welfare

The Governor's budget proposed a \$607 million, or 5.7%, increase in the DPW budget, sparking an outcry from lawmakers. The increase was primarily driven by a few factors: a \$270 million increase in the payment the state must make to the federal government for participation in the Medicaid Part D prescription drug program and \$324 million in Tobacco Settlement funds transferred to DPW.

The final budget reduces the DPW budget by \$651 million from the Governor's budget and just under 1% from the current year. It removes the Tobacco Settlement dollars and does not account for an estimated 4.5% increase in Medical Assistance enrollment. This leaves two options to address what is a significant lack of funding: a large mid-year supplemental appropriation or cost-cutting measures. Lawmakers are looking for about \$400 million in savings, and both cuts and supplements are likely over the course of the fiscal year.

Medical Assistance

Many of the analyses that have been distributed by the legislative caucuses will show a large General Fund increase in Medical Assistance (MA) spending, but that does not tell the whole story. ARRA funding was used throughout the DPW budget for two years, and state dollars were necessary to replace expiring ARRA dollars. All figures used in our analysis, unless noted, count both state and ARRA dollars in order to compare actual appropriations from year to year.

Medical Assistance provides health care services to pregnant women and children, low-income seniors and adults with disabilities. Childless adults without a disability are not eligible for the program. Final average enrollment in MA in 2010-11 was 2,265,543 individuals. The enacted budget assumes enrollment of 2,273,555 individuals.

The outpatient program, which pays for health care in the fee-for-service portion of MA, is appropriated at \$648.4 million, which is \$17.3 million, or 3%, less than current year expenditures. This line is \$46 million less than proposed by the Governor.

The Governor's budget proposed savings of \$17.8 million in reduced dental and pharmacy benefits for all Medical Assistance enrollees. The final budget limits prescription drugs to six per month, with an exception for those needed to address a life threatening condition. It reduces dental care services to two cleanings and visits per year and one set of dentures in a lifetime.

Inpatient services, which include hospitalization and rehabilitation services, will increase from \$356 million to \$365 million, a \$9 million increase. The General Assembly also approved an increase in the hospital assessment, which is a fee imposed on non-Medicaid hospital revenue, that is used to draw down additional federal matching dollars. The assessment will increase to 3.22%, and a portion of those funds, \$159 million, will be allocated to the General Fund.

The capitation program, which pays for health services delivered through managed care organizations, is level-funded at \$3.72 billion for 2011-12, which is \$173 million less than proposed by the Governor. The budget assumes savings of \$121 million, or 3%, in the managed care program. It also funds a 3.5% rate increase for physical health managed care organizations.

Long-term Care

The long-term care program includes both nursing homes and home and community-based services (HCBS). This program was very reliant on ARRA dollars, most of which were replaced with state funds in this budget.

The final budget splits long-term care into several line items. A new Home and Community-based Services line includes the Aging waiver. Long-term Care - Managed Care includes the LIFE waiver.

Over the course of time, the General Assembly has moved long-term care funding to the Lottery Fund and the Tobacco Settlement Fund. This budget continues that trend, increasing Tobacco Settlement Fund dollars by \$59 million to \$163 million.

Total long-term care appropriations, including Tobacco Settlement and Lottery funds, will come to \$66 million, or 5%, less than total 2010-11 appropriations.

Medical Assistance Transportation

Medical Assistance Transportation (MATP), which connects MA enrollees with their health care providers, came under considerable fire after an unfavorable audit of the program. The budget cuts this program by \$10 million, or 13%. MA recipients will be charged \$1 dollar for each round trip ride. In addition, the Fiscal Code bill enacted with the budget provides that MATP funds should only be used as a payment of last resort for eligible MA enrollees.

Hospital Supplemental Payments

Governor Corbett's budget eliminated most hospital supplemental payments, which provide funding to hospitals that offer care to the uninsured. The final budget restores 75% of funding for OB/Neonatal, Burn, Trauma and Critical Access hospitals, and 50% for Academic Medical Hospitals and Physician Practice plans. All supplemental payments draw down federal Medicaid matching dollars.

Welfare-to-Work Programs

Some of the largest percentage cuts in the DPW budget come in the funding streams for welfare-to-work programs. The final budget adds to Governor Corbett's proposed cuts to the Temporary Assistance for Needy Families (TANF) cash grant line and New Directions, which funds employment and

training programs. New Directions was cut by \$16 million, or 48%, while job training programs funded out of the cash grants line are reduced by \$44 million. TANF enrollment, which averaged 211,636 in 2010-11, is expected to increase slightly in 2011-12.

The Welfare Code bill gives the DPW Secretary authority to make further cuts of up to 25% from programs associated with RESET, the welfare-to-work program. The Women's Wear program, which provides support for organizations that assist job seekers with work appropriate clothing, was rescued, but many job training programs closed their doors on June 30.

Child Abuse and Neglect and Parenting

The County Child Welfare line that supports county needs-based budgets was reduced by \$48 million to \$1 billion, which is an additional cut of \$24 million from the Governor's proposal. An initial \$18 million cut reflected underutilization and was not expected to result in significant program cuts. The additional \$24 million cut is likely to result in program changes or higher county costs.

Funding for Family Centers was partially restored. The Governor's budget eliminated state funding for Family Centers and reallocated federal funds to the County Child Welfare budget. The final budget restores a little more than half of the state funds to this line item. The Nurse-Family Partnership program was level-funded at \$11.98 million. The Parent-Child Home Program is facing elimination.

Mental and Behavioral Health Services

The mental health line, which funds county-based behavioral health managed care programs, retained the increase proposed by Governor Corbett, which allocates \$717.3 million for next fiscal year. The budget funds a 2% rate increase for behavioral health managed care organizations. Funding for behavioral health services, which provide treatment for addictions to individuals who lack insurance, is reduced by 10%, from \$53.2 million to \$47.9 million.

The Governor's budget proposed \$3 million in savings and the reduction of 200 jobs through the privatization of forensic units (units in state hospitals that serve individuals transferred from the criminal justice system). That proposal was not enacted and the Fiscal Code bill includes a provision that prohibits DPW from moving forward with privatization.

Human Service Programs

The Human Services Development Fund, which provides counties with flexible funding for a wide array of social service programs, was targeted for elimination by the Corbett Administration but was partially restored in the final budget. In 2011-12, this funding will decline from \$23.5 million to \$15 million.

Domestic violence and rape crisis services and breast cancer screening are funded at the 2010-11 budgetary reserve level. Legal services are reduced by about 10% to \$2.7 million. Homeless services are reduced by about \$2 million to \$20.6 million.

Child Development and Early Learning

Governor Corbett made a commitment to maintain funding for early childhood programs, but the budget backs away from that promise.

Child care assistance, which supports child care for women in welfare-to-work programs, is cut by \$17.6 million, or 9%. Child care services — including direct subsidies to working families, quality improvement initiatives such as the T.E.A.C.H. Early Childhood Scholarship program, and resource and referral services for parents seeking licensed child care facilities — were cut by \$17.8 million. The cuts will be implemented through increased co-payments for parents and reduced funding for professional development activities. Rates for non-traditional care (6 p.m. to 6 a.m.) will also be reduced. It is expected that cuts will be implemented through increased co-payments for families receiving child care subsidies and reductions in funding for resource and referral programs.

The Welfare Code bill gave DPW authority to make significant changes to the child care program:

- Change the current family co-payment to a per-child co-payment.
- Increase co-payments to 8% of family income at 100% of poverty (\$22,850 for a family of four) and up to 11% of family income over 100% FPL. Parents earning up to 200% of FPL (\$44,700 for a family of four) are currently eligible for child care subsidies.

Two early childhood programs funded through the Department of Education sustained minor cuts. Pre-K Counts is cut by 1%, or about 80 slots. The Head Start Supplemental Assistance is also cut by 1% and will lose 60 slots.

Intellectual Disabilities

In general, these services fared well in the final budget. Most expiring ARRA funds were replaced with state dollars and some programs received a small increase.

State Centers received a reduction of \$2.9 million, or 3%. Total funding, at \$106 million, is back to the 2009-10 level.

Intermediate care facilities and early intervention were flat-funded, with federal ARRA dollars restored — ICF at \$143.8 million (a \$306,000 increase) and early intervention at \$112.9 million (a \$461,000 increase).

Intellectual disabilities community-based programs (formerly community MR services) are increased by \$8.7 million to \$166.5 million, while waiver services will increase by \$22.9 million, or 4%, to \$855 million. Despite funding increases, the budget includes \$18.1 million in reduced room and board payments for group facilities, down from a \$27 million cut proposed by the Governor.

Autism intervention and services are cut by 10%, or \$1.4 million, to \$13.5 million.

Services for People with Disabilities

The budget makes significant cuts to services for 15,383 Pennsylvanians with disabilities. Funding for Services to Persons with Disabilities was reduced by \$8.5 million, or 6%, while funding for the Attendant Care program is reduced by \$17 million, or 14%.

Environmental Protection and Conservation

The Department of Environmental Protection (DEP) received a \$10 million, or 6.9%, cut in General Fund dollars in 2011-12. At \$135.4 million, the department's General Fund support has dropped 39% since 2007-08.

At a time when more demands are being placed on DEP for air, water, and land protection efforts due to increased natural gas drilling, state funding for these general environmental programs is reduced.¹

Environmental program management and environmental protection operations, the department's two largest General Fund programs, received funding cuts, respectively, of 4.8% and 1.7% from 2010-11.

Funding for the Department of Conservation and Natural Resources (DCNR) is cut by a third (\$27.2 million) in 2011-12, to \$55.3 million. The state parks and state forests receive cuts of 41% and 51%, respectively.

These cuts are partially offset by a \$15 million increase in funding from the Oil and Gas Lease Fund, which collects revenue from drilling on state-owned land. With the park system becoming more dependent on gas well revenue, it seems likely that there will be increased pressure to drill more gas wells on state land.

Corrections and Public Safety

Corrections and public safety were among the few areas slated for funding increases in Governor Corbett's proposed budget, which the final budget adopts.

Corrections

The Department of Corrections receives \$1.87 billion of funding in 2011-12, representing an increase of \$173 million, or 10%, over 2010-11 funding. The appropriation for costs associated with housing prisoners increased by \$180 million in 2011-12, while medical care, training, and general administration received slight funding cuts.

While prisoner education was cut by \$1.5 million, the budget also allows for the federalization of inmate prison costs through Medicaid, which accounts for a \$4.7 million reduction in state dollars.

The department projected the number of inmates under its supervision will increase by 245 inmates in 2011-12 for a total population of 50,775.

State Police

The State Police, which is primarily funded through the Motor License Fund with other significant funding from the General Fund, sees increased funding from both sources in 2011-12. Its General Fund appropriation increases by \$11.2 million, or 6.4%, while the Motor License Fund portion increases by

¹ Funding for DEP well inspectors comes from drilling permits, which were increased in 2009. According to a recent DEP fact sheet, 202 employees now regulate the state's oil and gas wells.

\$31.6 million, or 5.9%. The increase in funding will enable the State Police to hire 230 new state troopers.

Other Public Safety Programs

The Board of Probation and Parole will receive an increase of \$6.3 million, or 5.2%, in 2011-12. The Board expects its total caseload to increase by 1,600 to 36,400 parolees.

The Pennsylvania Commission on Crime and Delinquency (PCCD), which is funded under the Executive Offices, receives a funding cut of \$210,000, or 6%.

Innovative programs like Research-Based Violence Prevention and other prison reform programs were widely discussed for their potential to reduce Pennsylvania's ever escalating prison costs. However, the final budget did little from the norm in terms of funding these programs.

Community and Economic Development

The Department of Community and Economic Development (DCED) continues to have its allocation from the General Fund significantly reduced. Funding for DCED decreased from \$327 million in 2010-11 to \$213 million in 2011-12, a decrease of 35%. The department's funding is now approximately three-quarters less than in 2007-08.

These ongoing funding cuts have reduced the programs offered by the department for business development, community assets, and local government assistance. The number of individual programs decreased from 53 to 21 in the new budget. Several distinct programs were collapsed into single programs, with reduced funding levels.

The Opportunity Grant, Customized Job Training, and Infrastructure Development programs are rolled into a new program called Pennsylvania First, with a collective budget reduction of 40% from 2010-11 funding levels.

Three housing programs, Housing and Redevelopment Assistance, Accessible Housing, and New Communities (which itself was a consolidation of the Enterprise Zones, Main Street, and Elm Street programs), were consolidated into what is called "Keystone Communities." Funding for these programs was slashed in the process, going from a combined \$27.8 million in 2010-11, to \$12 million in the final budget – a cut of 57%.

Similar consolidations/reductions were enacted for local government and specialized small business assistance programs. It is not known how the new programs will incorporate the goals of the previous programs, or how the available funding will be distributed among their functions.

The department's traditional "walking around money," or WAM programs, which provided funds for local projects, governments, and community groups, were defunded, as largely happened in 2009-10.

It appears that the Governor's proposed Liberty Loan Fund, an off-budget program for providing low interest loans to Pennsylvania businesses, will not be enacted this year. Much of the seed money for

this program, which was to come from the liquidation of the Tobacco Settlement Fund, is now unavailable, as the Tobacco Fund was preserved in the final budget agreement.

Finally, transfers of General Fund dollars to the Ben Franklin Technology Development Authority were decreased by 14% to \$14.5 million, while the allocation to the Commonwealth Financing Authority was increased by 4.5% to \$83 million.

Housing Programs

Housing programs, which are scattered in a number of different departments, were cut back for 2011-12. The homeless services line in DPW was reduced by \$2 million. The Homeowners Emergency Mortgage Assistance Program (HEMAP), which helps individuals who lose their jobs avoid foreclosure, was reduced from \$10.5 million to \$2 million. The \$2 million will pay for 2010-11 applicants, so the program has closed to new applicants. While the FY 2011 federal budget includes a HEMAP type program, the allocation is for one year and all funds must be spent by September 2011.

The Housing and Redevelopment Assistance program in DCED was replaced by a new program, Keystone Communities, which incorporates accessible housing and the New Communities program. Funding for the combined initiative was reduced by \$15.8 million.

Agriculture

The Department of Agriculture funds promotional activities for the state's agricultural industry, research into diseases and pests, and inspections of food establishments, among other things.

Funding for the state food purchase program, which pays for federal surplus food for pantries, child care programs and other free food distribution programs, received a cut of \$500,000, going from \$17.8 million to \$17.3 million. Funding for this program has remained constant up to this year, despite a recession that has placed unprecedented demand on local food programs.

Funding for research and promotion was reduced and 4H funding was eliminated. The final budget transfers two existing programs into the Department of Agriculture — \$27.9 million for the University of Pennsylvania's Veterinary School was transferred from the Education Department, and \$44.7 million was placed in a restricted account in Agriculture to fund agricultural research and extension programs at Penn State University.

Arts and Culture

The Arts have been particularly hard hit during the last few budgets, but 2011-12 offers a reprieve. Grants to the Arts, reduced by 42% since 2008-09, received a 3% cut in 2011-12. The Pennsylvania Historical and Museum Commission, cut by 24% since 2008-09, sustained a 5% cut for 2011-12.

Transportation

The Motor License Fund is expected to raise \$2.5 billion in 2011-12, up from \$2.234 billion in 2010-11. Funding comes from liquid fuel taxes, licenses and fees, and investment income.

The final budget allocates \$890 million for highway reconstruction and repair. Federal ARRA dollars allowed Pennsylvania to significantly expand its road and bridge construction program in 2009-10, but those dollars are no longer available. In 2011-12, the Pennsylvania Department of Transportation expects to replace 300 structurally deficient bridges and preserve 210 bridges.

The 2011-12 budget does not address the longer-term funding issues related to the U.S. Department of Transportation's decision to withhold approval for a plan to toll Interstate 80. This reduces Turnpike Commission payments to the Commonwealth by \$450 million annually — \$150 million slated for public transit and \$300 million for roads and bridges. A new Transportation Funding Advisory Commission has been established that will report on its findings later this year.

The Legislature

Total state funding for the Legislative Branch, which includes the state House, Senate and a number of commissions, increased by \$1.5 million in 2011-12 to \$314.5 million. Included in this increase is \$1.9 million of funding for the Independent Fiscal Office, which was created but not funded in the 2010-11 budget.

At first glance, the operating budgets for the House and Senate (excluding shared services and legislative commissions) appear to have been cut by over 5%, from \$288.3 million to \$272.8 million. However, lawmakers included in the final budget a last-minute increase of \$12.7 million to its own budget for 2010-11 — \$11 million for additional caucus expenditures in the House and \$1.7 million in additional staff and salary costs in the Senate. Without this increase to last year's expenses, their budget cut is much smaller — only \$2.8 million, or 1%.

A number of commissions and committees that fall under the Legislative Branch saw their funding substantially reduced. The Center for Rural Pennsylvania, the Legislative Budget and Finance Committee, the Joint State Government Commission, and Joint Legislative Air and Water Pollution Control Commission all received 25% cuts to their budgets.

The Local Government Commission received a funding cut of 5%. Funding was eliminated for the Legislative Office of Research Liaison (LORL) as the responsibilities of this office will be shifted to the new Independent Fiscal Office.

Other Commissions

The budgets of the Pennsylvania Health Care Cost Containment Council and the State Ethics Commission were each cut by 1%.