



What You Need to Know about the Pa. House Budget Plan

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Pennsylvania House Republican leaders today introduced a [2013-14 budget](#) that is \$100 million less than what Governor Tom Corbett [proposed in February](#). Overall, the \$28.3 billion plan cuts \$230 million in spending proposed by the Governor, shifting nearly \$130 million of the savings to other budget priorities.

A significant piece of the spending reductions come from education—\$85 million from reduced state payments for school employees' Social Security and pension benefits. These savings are the result of deep cuts to education that have reduced the ranks of teachers, reading specialists, counselors and other school staff. The House plan adds \$10 million of these savings to the \$90 million increase already proposed by the Governor for the K-12 basic education subsidy. Most of the rest of the education savings are redistributed to priorities other than education.

The House plan also reduces the Governor's proposed spending levels for the Department of Public Welfare (DPW) by \$32 million. Child care services for low-income working families are cut by \$3 million, while other early learning line items are identical to the Governor's proposal. County child welfare is cut by \$23 million, Medicare prescription drug clawback payments to the federal government by \$15 million, services to persons with disabilities by nearly \$8 million, attendant care by \$2 million, and county assistance offices by \$2 million. The plan also adds \$20 million to Medical Assistance – Capitation payments, nearly \$8 million to long-term care, and nearly \$4 million for critical care hospitals. Mental health services also got a slight increase.

The House plan reduces the Governor's proposed spending levels for the Department of Community and Economic Development by \$22 million, the Governor's Executive Offices (for technology upgrades) by \$19 million, and the Department of Corrections by \$10 million. Also cut by \$1 million or more are the Treasury Department, the Department of General Services, and the Board of Probation and Parole.

The House plan takes the savings from these cuts and uses them to increase appropriations in a number of areas. The House rejected the Governor's proposal to shift some administrative costs for the Insurance Department and Department of Transportation out of the General Fund, thereby increasing their budgets by \$14 million and \$10 million, respectively. The plan also restored funding for biotech research, diabetes and epilepsy support programs, county conservation districts, a number of agricultural programs, crime labs and State Police, and the state's open records office. Appropriations for the Legislature would rise by \$4 million, and for the Judiciary by nearly \$5 million. Also in line for slight increases are the offices of the Attorney General and Auditor General.

The budget includes neither savings from pension changes proposed by the Governor in February nor savings that would come with an expansion of the Medicaid program under the Affordable Care Act. Representative Bill Adolph, chairman of the House Appropriations Committee, was careful when he discussed the Medicaid expansion during today's press conference, noting that the House was awaiting the Governor's decision and that the budget may have to be adjusted if the state opts to expand Medicaid in 2014.

House leadership said that based on May collections they have seen so far, the state will have a smaller revenue shortfall than the Independent Fiscal Office (IFO) [projected earlier this month](#). Even so, it is unclear how the budget can be balanced without making deeper cuts or raising additional revenue.

That is why some lawmakers—and even the Corbett administration—are considering a delay in the phaseout of the capital stock and franchise tax. This corporate tax has already been cut by 85% and is scheduled to be

completely eliminated in 2014. Lawmakers could freeze the tax rate at 2012 levels, raising an estimated \$360 million more to help prevent a new round of cuts and preserve the modest spending increases proposed by the Governor and the House leaders.

The House plan does not address the capital stock and franchise tax phaseout, but as House leaders said Wednesday, their plan is a starting point. The bottom line for lawmakers as they negotiate a final budget should be how to preserve investments in schools, health care, mental health services, childcare and other services. Pennsylvania cannot afford more funding cuts to these critical investments in our future.

[View Spreadsheet Detailing House Budget Changes to Governor's Plan](#)

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