



One, Two, Three, What Are We Fighting For?

\$338 Million in Spending Separates Senate, House and Governor Cuts in Education, Workforce and Health Care divide houses

Two days into the 2007-08 fiscal year, Pennsylvania finds itself without a budget, and with little prospect of completing one before July 4th. The budget process, which began with the formal announcement on February 6th, moved to its final stage on Saturday night, as the House of Representatives rejected the Senate's version of the spending plan, triggering the appointment of a conference committee to negotiate the final agreement.

A brief explanation of the budget and analysis of the differences between the two versions follows.

The Governor's Executive Budget, introduced on February 6th, called for \$27.3 billion in state-funded **General Fund** spending. The House of Representatives passed this bill on May 23, 2007 (102-97) and sent it over to the Senate. The Senate Appropriations Committee amended the bill, making very few changes, and reported it out of committee on June 13. The bill was then amended on second reading, the language gutted and replaced with a new version that made changes totaling \$263 million or 1.0% of the original budget. This final bill passed the Senate 49-1 on June 20, 2007. Even though total General Fund appropriations were decreased by what could be seen as a modest 1.0%, there were significant shifts in funding within and between specific agencies. This brief looks at some of these differences.

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Overall, the Senate plan reduces General Fund spending by \$263.1 million. The appropriations for 23 agencies were reduced a \$338.8 million. Among these agencies, the biggest net reductions were in the Department of Economic and Community Development (\$130.2 million), Department of Education (\$145.1 million), and Department of Labor and Industry (\$10.1 million).

The Senate also increased spending by a total of \$75.7 million in eight state agencies, including Agriculture, General Services, Military and Veterans' Affairs, Public Welfare, State Police, Higher Education Assistance Agency, Thaddeus Stevens College, and the Judiciary.

The Cuts

- **General government operations** were cut by 5% in each of 20 agencies for a combined \$29.7 million.
- All \$21.4 million in funding was slashed for the Governor's **Prescription for Pennsylvania** initiative. Most of the impact of the removal of this initiative would be reflected in the Tobacco Settlement Fund.
- General Fund appropriations for the **Department of Community and Economic Development** were reduced \$130.2 million, a reduction of 26.7% of the requested amount. The cuts include:
 - Customized Job Training, reduced from \$30 million to \$15 million.
 - Community Conservation and Employment, eliminated for a savings of \$29 million.
 - Infrastructure Development cut by \$11 million.
 - The popular Opportunity Grant Program, which funds legislative initiatives, or WAMS, was

eliminated at a cost of \$49 million. The Governor had proposed funding this item at its 2006-07 level.

- General Fund state funding for the **Department of Education** was reduced \$145.1 million, or 1.5%, from the Governor's budget. The Senate budget eliminated a proposed \$100 million increase in the Pennsylvania Accountability Block Grant Program (ABG) slated for a Pre-kindergarten program and expanded full day kindergarten, and replaced it with a \$25 million ABG increase. Funding for the Classrooms for the Future initiative was reduced by \$70 million, from a \$90 million to \$20 million. \$6.5 million in funding to expand the Commonwealth's school breakfast program was eliminated.
- Appropriations for the **Department of Revenue** were reduced by \$16.7 million, or 8.8% of the Governor's requested amount. Revenue enforcement activities were reduced by \$10.3 million. These reductions eliminate a new initiative to address abusive tax shelters and enhance voluntary tax compliance activities.
- General Fund funding for the **Department of Labor and Industry** was reduced by \$10.1 million, or 9.4% of the originally requested amount. Training Funding grants were reduced by \$7.0 million, despite the administration requesting the same level of funding since 2005-06 (\$17 million). The Industry Partnerships appropriation of \$5.0 million was eliminated. These two cuts effectively dismantle the administration's Workforce Investment Program. The Senate added back \$1.5 million to be used for self employment assistance.
- Several key DPW programs were modified; mental health services would be increased to \$711 million rather than the \$716 million proposed by the Governor. Childcare services take a hit as well, as the proposed increase in the Keystone Stars Quality Improvement program was eliminated.

Additions

- After all changes, the Senate increased the overall General Fund budgets of eight agencies.
- The **Department of Public Welfare** General Fund appropriation receives the largest increase (in terms of dollars) from the Governor's request, \$59.8 million. Within this amount is a net increase of \$32.7 million for Medical Assistance payments. \$26.0 million was added to put back the prescription drug carve out. \$18.9 million was added in payments to counties for children and youth service to reflect amended caseload projections. \$12.1 million in funding for childcare was shifted to a TANF transition program. The Senate added an additional \$2.9 million to that program. Cash Assistance Grants were decreased by \$28 million reflected a projected decrease in welfare caseloads. TANF transition funds would be increased from \$15 to \$30 million.
- The **Judiciary's** budget is increased by \$9.8 million for increased funding for Senior Judges of the Courts of Common Pleas and for the education of Magisterial District Judges.
- In other agencies, a few, specific programs receive additional funding. **Alternative Education Demonstration Grants** are created in the Department of Education, with 2007-08 funding of \$26.5 million. In the same department, \$10 million is added to the Basic Education Formula Enhancements initiative. A grant of \$7.5 million is created in the Executive Offices for law enforcement activities in counties of the second class.

The Senate's plan reduces the **Motor License Fund** by a \$960 million. This is largely due to the removal of the Governor's highway and bridge construction initiative (\$965 million). Total fund appropriations decrease from \$3.01 billion to \$2.05 billion, representing a 31.9% decrease from the administration's proposal.