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GENERAL FUND

The 2009-10 budget agreement reduces spending by \$442 million or 1.56% from the amount spent in 2008-09. This budget combines decreases in spending, new revenue sources, transfers from other funds and federal stimulus money to balance spending of \$27.799 billion with certified, existing revenues of \$25.529 billion, which is zero growth over last year's revenue collections. This budget not only closes the remaining deficit from 2008-09 of \$1.9 billion it also is designed to balance both this fiscal year and the 2010-11 fiscal year. This feat is accomplished by a no frills budget that prioritizes the spending that must be done.

Last fiscal year's deficit of \$1.99 billion was due to a revenue shortfall of \$3.25 billion. This year's revenue estimate, before the new taxes are added, is the same amount of revenue, at \$25.529 billion, that was collected last year. To close last year's deficit and fund this year's expenditures revenue from tax increases and transfers from other funds became necessary. The tax increases are listed on the next page. Below is a list of the various fund transfers. In many cases these fund transfers are utilized over two fiscal years.

Fund	2009-10 Amount	2010-11 (in Millions) Amount
Rainy Day Fund	\$755	\$0
HCPRA	\$708	\$0
Tobacco Endowment	\$150	\$250
Tobacco Fund Cessation	\$17.6	\$17.6
Oil & Gas Lease Fund	\$203	\$180
State Stores	\$25	\$25
MCARE Fund	\$100	\$0
Auto CAT	\$44	\$44

TAXES

There were numerous changes to the tax code as part of this year's budget. The bill raises \$1,259 million in the 2009-10 fiscal year. The revenue raised in the 2010-11 fiscal year is expected to be \$1,349 million. Other than an increase in the cigarette tax and an increase in the capital stock tax back to the level it was in 2008, there is not a truly broad based tax increase contained in the bill. On the following page is an itemization of the major tax changes contained in the bill.

1) Tax Credits will be reduced over the next two years. All of the credits will be reduced by an amount that will, considering the differing time periods that they are utilized, equal out to a roughly similar overall reduction of the amount of each credit. The proposal will reduce the film tax credit by \$34 million in 2009-10. The EITC will be reduced by \$15 million. The savings to the General Fund will be recouped all in this fiscal year. Most of the other smaller credits available will be reduced by 50% from the maximum amount that can be awarded to any one taxpayer.

2) There are three changes to business taxes. The capital stock tax is raised from 1.89 mills to 2.89 mills for tax year 2009. This is the rate that the tax was in 2008. A further scheduled reduction beginning in January of 2010 to .89 mills will not take effect. The rate of 2.89 mills will remain in effect through tax year 2011. In the next two years the rate will be reduced until the tax is eliminated in 2014. The capital stock exemption will also be increased from \$150,000 to \$160,000 for taxpayers.

Two reductions in the CNI will be part of the business tax changes. The amount of net operating losses that a corporation can utilize each year will increase from the greater of \$3 million or 12.5% of taxable income to \$3 million or 15% of taxable income in 2009 and \$3 million and 20% of taxable income 2010.

The other reduction in CNI is that the sales factor of the apportionment formula will go from 70% to 83% in tax year 2009, and then 90% in 2010.

3) The cigarette tax is raised by 25 cents a pack and expanded to include little cigars. The new rate will be \$1.60 a pack. For the tax to apply to a cigar it must weigh under 4lbs per thousand cigars. Little cigars that are sold in different quantities than 20 will not be stamped but the tax will be levied on the invoice.

4) There will be two accelerations of collections of existing taxes over the next two years. At the end of this fiscal year, collections of withheld wages by larger businesses must be paid to the commonwealth several days after each payday. A business would have to have an annual payroll of \$651,465 to fall under the new payment schedule. This will result in a one- time revenue gain of \$159 million. The other collection issue is an acceleration of the collection of sales tax that will occur in fiscal year 2010-11. This will affect larger retailers who have sales over \$416,000 in a quarter. These large retailers will be required to remit the sales tax collected twice a month instead of monthly as they currently do.

5) There will be an addition to the gross receipts tax to tax manage care organizations. These MCO's will be taxed on the gross receipts that they collect from their contracts with the Department of Welfare.

2009-10 Tax Bill

(in Millions)

Issue	Tax Effected	Revenue 2009-10	Revenue 2010-11
Exemption for Repair, Replacement Parts, and Helicopters	Sales	(\$0.1)	(\$0.1)
Semi-Monthly Sales Tax Collect	Sales	\$0.0	\$211.4
DCNR, Organ Donor, & Military Family Relief Check-off	Income Tax	\$0.0	\$0.0
Accelerated PIT Tax Collection	Income Tax	\$164.5	\$0.0
Sales Factor 83% in '09 and 90% in '10 NOL 15% in '09 and 20% in '10	Corporate Net Income	(\$73.2)	(\$87.7)
CSFT Exemption to \$160,000	Capital Stock	(\$0.5)	(\$1.7)
CSFT Phase-Out Delay	Capital Stock	\$373.9	\$550.6
Manage Care Assessment Fee	Gross Receipts	\$316.0	\$317.0
Little Cigars Added to Cigarette Tax	Cigarette	\$16.1	\$25.3
.25 Cents Cigarette Tax Per Pack Increase	Cigarette	\$97.2	\$145.7
End HCPRA Transfer (.25 Cents Per Pack)	Cigarette	\$126.0	\$170.9
R&D Tax Credit One Year Holding Period Eliminated	Research Tax Credit	Nominal	Nominal
Reduction of EITC	EITC Credit	\$15.0	\$25.0
Tax Credit Reduction	CNI, CS&F,PIT	\$34.0	\$50.0
Tax Amnesty	All Delinquent Taxes	\$190.0	(\$57.0)
	Total	\$1,258.9	\$1,349.4

DEPARTMENT OF EDUCATION

Basic Education Subsidy Fiscal year 2009/10 marks the second year in the Governor's proposed \$2.6 billion, six-year goal to provide districts with adequate funding as defined in the "costing-out study." This formula identifies an "adequacy target" by calculating a base cost to educate each student, then adjusting that amount for individual districts based upon variables such as low-income, district size and geographic location. This target amount is then compared to the actual district per student expenditures to determine the adequacy funding shortfall. The state share of the shortfall is then calculated to be phased-in over a six year period. The 2009/10 budget continues towards that funding goal by allocating \$5.53 billion of state and federal ARRA funding for the basic education subsidy payment to school districts, representing an increase of 5.7% or \$300 million. Because this amount falls short of the original year-two subsidy amount of more than \$400 million necessary to achieve the six year funding goal, an additional year will be required to meet the adequacy target for all districts. Each school district will receive at least a two percent increase above its 2008/09 funding level. In addition, some school districts will receive a portion of the \$344.8 million in federal Title I ARRA monies and each school district will receive a portion of the \$11.1 million in Title II D technology monies.

The Accountability Block Grant was introduced in the 2004/05 budget to provide funding for programs such as pre-kindergarten, full-day kindergarten, and class size reduction. The budget includes \$271.4 million, the same level of funding as in 2008/09. Funding for specialized tutoring programs provided to academically-challenged school districts and career and technical centers is made through the **Education Assistance Program**. The \$59.1 million appropriation for this program reflects a slight decrease from the prior year.

At the start of the 2007/08 school year, students attending Duquesne High School transferred to either East Allegheny School District or West Mifflin School District on a tuition basis. The \$2 million appropriation for **Basic Ed Formula Enhancement** is designed to support the remaining Duquesne education programs and other miscellaneous administrative expenses and reflects no increase over the previous fiscal year.

Special Education funding provides support for programs in the Commonwealth's public schools serving students with disabilities. These programs are administered by all 500 school districts, and charter schools where appropriate. A school district may operate its special education program directly or may contract with other school districts, intermediate units or other providers. In circumstances when the appropriate public education program is not available students may be assigned to a Pennsylvania Approved Private School. The department estimates that the number of pupils with disabilities enrolled in special education programs will be 272,000 in 2009/10. The budget flat-funds the special education line, at \$1.027 million. In addition, school districts will directly receive a total of \$361 million in federal IDEA ARRA monies.

The 2009/10 budget funds the **PA Assessment** appropriation at \$38 million. Funds from this program are used to implement and support tests used to assess students, including the Pennsylvania System of School Assessment (PSSA). The **Teacher Professional Development** appropriation provides professional development opportunities to teachers. The 2009/10 budget includes \$25 million, \$1 million less than the Governor's revised request. A portion of this appropriation was geared towards teacher training for the Classrooms for the Future initiative; therefore the decrease in funds for Teacher Professional Development in 2009/10 can be attributed to the elimination of the Classroom for the Future program funding for this fiscal year.

Classrooms for the Future, a program designed to provide laptops for high school students in all core subject areas sees its funding eliminated for fiscal year 2009/10. Originally designed as a \$200 million, three year initiative in 2006/07, the program experienced a reduction in funding in 2008/09. With the elimination of all funding for 2009/10, the initiative's goal will not be met.

Science: It's Elementary The program aims to provide science resources for hands-on learning equipment and provide training for classroom teachers. For 2009/10, the fourth year of this initiative, funding is maintained at \$13.6 million. The **Dual Enrollment** program allows students to earn college credits while attending high school. The program receives \$8 million, a decrease of \$2 million from 2008/09.

Pre-K Counts program appropriation for 2009/10 remains at \$86.4 million. Pre-K Counts provides funding for early childhood learning, focusing on at-risk students. It is anticipated that nearly 13,000 children will participate in this program in 2009/10, compared with 11,800 in 2008/09. **Head Start Supplemental Assistance**, which expands pre-K services to eligible children, remains funded at the 2008/09 level of nearly \$39.5 million. **Early Intervention** funding provides services and support for children with developmental delays. This program receives a very modest increase, for total funding of \$173.6 million.

Reimbursement of Charter Schools subsidizes a percentage of actual expenditures incurred by school districts in the previous school year for resident students attending charter or cyber charter schools. The 2009/10 budget provides nearly \$227 million for this purpose. In addition, a total of \$15.6 million in federal IDEA ARRA monies and \$30.6 million in federal Title I ARRA will be going directly to those charter schools that qualify.

Nonpublic Schools program funding fares well in the 2009/10 budget, with an aggregate increase for the three programs of almost \$1.6 million. Specifically, nonpublic transportation will receive \$78.9 million; services to nonpublic schools \$89.1 million; and textbooks and materials \$27.2 million.

The budget reflects the transition of the **Scranton State School for the Deaf** to the Western Pennsylvania School for the Deaf. A Special Education Transition line of \$5.5 million has been established. In 2009/10, the WPSD is operating the residential program on site at the Scranton School. In year-two of the transition, the phase-out begins, offering students the option of commuting to the WPSD, transferring to a local Intermediate Unit or school district, or in some cases, remaining at the Scranton site. In year-three, the current plan calls for no residential program at the Scranton site.

The fiscal code contains provisions for the transition of professional and temporary professional employees of the school, including retention of seniority rights and a requirement that school districts, IU's and AVTS within a 17 mile radius, as well as the Harrisburg City School District, must first extend interviews/offers to displaced employees, for three years.

The **Public Library Subsidy** sees a 20% reduction, with total funding of \$60 million. The library subsidy supports more than 600 library facilities and 29 district library centers across the Commonwealth. The transfer of Key '93 monies that go to libraries for rehabilitation and development projects will be suspended for one year. These monies, totaling \$2.1 million, will instead be transferred to the general fund.

HIGHER EDUCATION INSTITUTIONS AND PHEAA

With the combined use of state general funds and federal ARRA funds, **Community Colleges** will receive \$235.7 million for 2009/10, almost level funding from the prior year. Funds for capital projects are increased \$1.86 million, for a total of \$46.4 million. In total, the budget includes \$282.1 million for community colleges. Combined operating and capital funds increase \$1.4 million over the prior year for community colleges.

Funding for the community colleges is shared by sponsoring counties or school districts, the students through tuition payments and the commonwealth. Commonwealth appropriations are based on a formula that ensures predictable base operating funding with a hold harmless clause so that no institution receives less than the prior year's funding, provides a supplement for enrollment growth, provides a stipend for students enrolled in economic development programs that focus on high priority occupations and recognizes the capital costs of the colleges.

The **Pennsylvania State System of Higher Education** (PASSHE) will receive a total of \$503.4 million in combined state general and federal ARRA funding for 2009/10 restoring funding to 2007/08 levels. In addition, funding for 2008/09 will be supplemented with federal ARRA funds for a total available amount of \$524.2 million, or an additional \$27.1 million.

Funding is distributed through the Chancellor's Office to 14 individual universities in accordance with a formula that considers the enrollment and programs of the school and the cost of operating and maintaining the individual campuses.

The 2009-10 budget doubles the capital funding for the State System to a total of \$130 million; however it will no longer receive funding from the Keystone Recreation, Park and Conservation Fund for deferred maintenance projects, as Senate Bill 850 transferred this money to the general fund for one year.

Funding for the 2009/10 fiscal year for the **state-related universities**, specifically the **Pennsylvania State University**, the **University of Pittsburgh**, **Temple University** and **Lincoln University**, is restored to 2007/08 levels with a combination of state general and federal ARRA funds. In addition, funding for 2008/09 will be supplemented with federal ARRA funds to restore funding to prior year levels. ARRA requires federal State Fiscal Stabilization Fund money to be used to restore funding to these institutions. In total, \$35.4 million for 2008/09 and \$31.2 million for 2009/10 in ARRA monies are included.

Funding for the **state-aided institutions** is significantly reduced. In addition, the medical institutions are now funded under the Department of Public Welfare, using state and federal dollars, by annualizing the prior year initiative which achieves savings by claiming federal Medicaid funds for the university-affiliated physician practice plans affiliated with the Philadelphia Health and Education Corporation, the University of Pennsylvania and Thomas Jefferson University. Language in the fiscal code guarantees funding for these institutions at their 2007/08 funding levels.

The **Pennsylvania Higher Education Assistance Agency** (PHEAA) provides grants, scholarships, loan forgiveness, and other financial assistance to students and higher education institutions. The budget includes total funding of \$455.2 million, a decrease of nearly 3% below the \$472.8 funding level of 2008/09. **Grants to Students** comprise the largest portion of the PHEAA state appropriation. For 2009/10, a \$3.8 million decrease is enacted, for total funding of \$403.6 million. It can be noted that the number of applications is down slightly from the anticipated number. With an approximate 170,000 grant recipients, the average award is estimated at \$2,724 and the maximum grant amount would be \$4,120. It should be noted that the maximum federal Pell grant has increased \$619 to \$5,350.

The **Institutional Assistance Grants** line, which provides assistances to higher education institutions that do not receive other state funds, reflects a proposed reduction of \$11.8 million, for total funding of \$30.3 million. Institutions receive this allocation based upon the total number of eligible grant recipients enrolled. For 2008/09, the per capita grant amount was \$1,132. It is expected that in 2009/10 this grant amount would be reduced to \$771.

Remaining appropriations in the PHEAA budget will be funded at the 2008/09 levels or slight decreases. The **Nursing Shortage Initiative** appropriation is reduced from \$2.4 million to \$1.0 million.

EXECUTIVE OFFICES

The Pennsylvania Human Relations Commission received \$10.26 million for the 2009-10 fiscal year. This is the same level of appropriation the Governor proposed and the funding found in the 2008-09 fiscal year. This program formally hears cases regarding human relations issues covering a gamut of social, psychological and human conditions.

The Council of the Arts is an administrative framework for the program Grants for the Arts. The Council of the Arts received \$992,000 in this budget, with the grants program being funded at \$11 million. The grants go to programs exhibit all forms of artistic expression through many programs throughout the state. The grants are distributed using a formal criteria that reviews the many aspects of the art program seeking funding.

The Commonwealth Technology Services has been appropriated \$45.28 million for the 2009-10 fiscal year. This level of funding is \$10 million more than the Senate Republicans intended to fund this program. This program operates, manages and maintains critical computer systems throughout the Commonwealth. It permits all the agencies of government and its' many functions to exchange information in a systematic way.

The Commission on Crime and Delinquency was funded at \$3.53 million in this budget. This agency provides guidelines and assistance to the courts of Pennsylvania on critical issues related to crime statistics and data. Also, this Commission gives assistance and guidance to the courts on issues related to delinquency and what programs and settings may be appropriate to certain delinquent individuals.

STATE ROW OFFICES

The appropriations for the Offices of the Auditor General and State Treasurer will also see changes in FY 09/10 due to the Commonwealth's fiscal constraints. The significant or notable changes to line items within both Departments for the current fiscal year are as follows:

- A decrease of roughly \$5.5 million, or a cut of 10%, for the appropriation dedicated to the general government operations of the Auditor General's Office.
- A decrease of \$246,000 for the Board of Claims within the Auditor General's Office, which serves as a judicial body to hear, and subsequently make judgments upon, claims against the Commonwealth that equal or exceed \$300.
- A decrease of approximately \$2.1 million, or an 8% cut, for the appropriation dedicated to the general government operations of the State Treasurer's Office. A change in the fiscal code that reduces advertising costs will free up some additional money for the Treasury.

Attorney General

The Office of Attorney General (OAG) will receive an appropriation in the amount of \$86.522 million for the FY 2009-10 budget. The General Government Operations were cut by \$4.843 million. The General Government Operations appropriations supports most of the non-drug elements of the OAG's Criminal Law Division; most of the Public Protection Division, which protects Pennsylvania's consumers, the entire Civil Law Division, which defends the Commonwealth and its agencies in litigation; and the executive and administrative functions of the OAG. This includes salary, benefits and retirement contributions.

The final OAG budget includes continuing appropriations for the following items:

- \$3.0 million—Joint Local-State Firearms Task Force.
- \$500,000—Gun Violence Witness Relocation Program.

DEPARTMENT OF AGRICULTURE

				2007-08	2008-09	2009-10	inc/dec
							08-09/09-10
				(Dollars in Thousands)			
General Government Operations				\$29,696	\$31,340	\$28,045	(11%)
Agri, Promotion, Education, Exports				1,536	1,000	250	(75%)
Agriculture Research				2,400	1,870	1,000	(47%)
Food Purchase program				18,000	18,000	18,000	0%
Crop insurance				1,500	1,146	600	(48%)
Animal health Commission				6,675	5,150	5,150	0%
County Fairs				4,000	3,617	2,000	(45%)

General Government Operations received \$28.045 million in the 2009-10 budget year. This is \$3.295 million or – 11% less than it received in the 2008-09 fiscal year. The Bureau of Food Safety and Laboratory Services will continue to provide over 40,000 food inspections. To protect the quality of animal feed the GGO regulates the sale of animal products. The GGO is the administrative body of the Department that ensures that the Department’s programs are in compliance with state and federal laws while best representing the farmers of the Commonwealth.

The Animal Health Commission received \$5.150 million in the proposed 2009-10 budget. It received the same level of funding as in the 2008-09 fiscal year. This program is committed to maintaining the health of domestic animals in order to protect human health. The quantity, quality, and safety of food from farm animals is one of its main responsibilities. The agency develops test programs for diseases such as: brucellosis, bovine tuberculosis, pseudo rabies, avian influenza and chronic wasting disease to mention a few. It has been testing for any virulent strains of the flu in the swine population and any serious outbreaks.

Crop Insurance was funded in this budget at \$700,000. This program which has existed in the last decade has helped farmers deal with adverse weather conditions that have seriously impacted crops across the state. The Federal government strongly encourages farmers to participate in crop insurance programs through incentives.

The 2009-10 budget provides \$250,000 for the Agricultural Promotion, Education and Exports program. This appropriation will allow the program to fund those agribusiness projects that may not receive any other funding thereby affecting marketing efforts by small agribusiness projects by smaller farms.

The State Food Purchase Program is funded at \$18 million for the 2009-2010 fiscal year. Much of these dollars will be used to purchase federal surplus food and to leverage additional money for food programs throughout the state. During the downturn in the economy, this program has provided significant food resources to countless families.

DEPARTMENT OF AGING

Pennsylvania has the third oldest population of any state. The fastest growing segment of this population is people over 85 and the group most likely to use the long-term living system. In order to meet the challenge of the Commonwealth's growing elderly population, the Governor had recommended in February significantly reorganizing the long term living system to improve efficiency of service delivery and coordination of consumer services by integrating programs managed by the departments of Public Welfare and Aging to create the new Department of Aging and Long Term Living. The required legislation has yet to be passed by the General Assembly.

The **Family Caregiver Support Program** appropriation from the lottery fund remains at the prior year's funding level of \$12.1 million. This program is also supported by \$10 million in federal funds. The program assists families who maintain frail relatives in their home. Working through AAA's, the program provides benefits counseling and, depending on income, financial assistance including supplies, services and home adaptations and devices. It is anticipated that 7,946 families will receive these services in 2009-10.

Funding for the **Pre-Admission Assessment** Program is reduced by \$834,000, for a total funding level of \$10.8 million. Funding by the lottery and federal funds, this nursing home pre-admission screening program helps older Pennsylvanians and their families determine the least restrictive environment needed and assists them in securing and managing intensive in-home services tailored to their needs. It is anticipated that assessments and referrals to community services will increase in 2009-10. Referrals to nursing homes are also expected to increase.

The **PENNCARE** program provides home and community based services to older Pennsylvanians to enrich their lives and enable them to delay or avoid moving to a nursing home. This budget includes \$241.4 million for the lottery funded PENNCARE appropriation to continue the current Attendant Care Program and provide services to an additional 406 recipients. Pennsylvania has received new ARRA federal funds which have allowed a reduction in lottery funds for these programs. Funds are also used for Older Adult Protective Services to investigate suspected elder abuse reports. As part of this appropriation, \$720,000 is included to provide additional services to reduce reliance on institutional long-term care and promote growth of high quality home and community based services.

The Governor's February budget proposal would have increased funding for 2009-10 and allowed the average number of seniors covered by **PACE, PACENET or PACE Plus Medicare** to rise to 335,000, an increase of 37% over the last six years, by raising income limits for the programs. It is estimated that 30,000 additional seniors could have been served in 2009-10; however required legislation to allow for these increases has yet to be passed by the General Assembly. Figures as of August 2009, include 135,006 seniors enrolled in PACE and 169,306 seniors enrolled in PACENET for a total enrollment of 304,312.

Act 69 of 2008 maintains the eligibility for PACE and PACENET enrollees who would otherwise be disqualified from participation in the program solely due to a Social Security cost-of-living adjustment. The exemption for PACENET is retroactive to December 31, 2007. The act was applicable to PACE enrollees starting on December 31, 2008. This moratorium is extended for both until December 31, 2010.

PACE and PACENET are funded entirely by the Pennsylvania Lottery - no tax dollars are used. The Pennsylvania Lottery has taken steps to ensure it will be able to support those programs well into the future. The Department of Aging is implementing cost-saving initiatives to benefit the PACE program including requiring "best price" rebates from manufacturers for branded products; using the "Federal upper limit" maximum allowable cost in reimbursing pharmacies; and developing a 90-day supply policy and mail order access for consumers.

CORRECTIONS

State spending for the Department of Corrections will reach \$1.79 billion, an increase of \$180 million, or an 11.2% increase over the 2008-2009 fiscal year. This increase in funding is needed due to the growth in inmate population. The Governor was able to reduce state institutional costs due to anticipated ARRA support of \$173 million in FY 09/10.

The inmate population is the single most important factor affecting costs in the correctional system. By the end of FY 09/10, the inmate population is projected to grow to 51,083, an increase of 1,950 from June 2008. When factoring in the cost of inmate health care, education and training expenses, the current average cost per inmate is \$39,468.

The Medical Care appropriation is \$230 million, an increase of \$15.3 million. Following a National trend, every year sees an increase to the cost of providing adequate healthcare to the inmates, especially the elderly population.

PROBATION and PAROLE

Probation and Parole spending will total \$117.7 million in FY 09/10, which is an increase of approximately \$6.1 million from last year.

In the enacted 09/10 budget, the General Government Operations appropriation received an increase of approximately \$6.1 million or 6.8% above the Governor's FY 08/09 budget.

Funding for the Sexual Offenders Assessment board was increased by \$48,000 over the FY 08/09 spending level.

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

The final budget includes a total appropriation of \$264.848 million for the Department of Community and Economic Development (DCED) in fiscal year 2009-10. While many DCED line items were either eliminated or reduced in the final budget, nearly \$75 million was restored from previous Republican budget proposals. Appropriations to attract, retain, and develop business within the Commonwealth, such as the Business Calling Program, Minority Business Development, the Opportunity Grant Program and Infrastructure Development were all eliminated by previous Republican budget proposals. Instead, these four programs will receive a combined total of \$35 million in FY 09/10, (Business Retention and Expansion - \$1 million, Minority Business Development - \$1 million, Opportunity Grant Program - \$18 million, Infrastructure Development - \$15 million).

In addition, \$1.226 million was added back to Republican proposals for Small Business Development Centers increasing its total funding to \$4 million. An increase of \$395,000 was provided for Marketing to Attract Business, raising its total appropriation to \$895,000, and slightly more than \$1 million was restored for Local Development Districts, increasing their total funding to \$3.3 million.

Critical restorations were provided for several community programs. An appropriation of \$11.2 million was provided for the New Communities program. The budget also includes \$375,000 for the Land Use Planning Assistance. Both appropriations were proposed to be eliminated in the Republican amended version of House Bill 1416. In addition, a total of \$3.3 million was added back to the Housing and Redevelopment Assistance line item, increasing its total funding from \$16.7 million in House Bill 1416 to \$20 million in the final budget document. In all, a combined total of almost \$15 million was restored for these community assistance programs within the Department.

Additionally, the World Trade PA program within the Department, which has produced significant growth in Commonwealth trade activity, also received a restoration in funding from Republican proposals. This program, which works to expand and promote PA exports abroad and international investment here in the commonwealth, will receive \$7.5 million to continue operations during the 2009-10 fiscal year.

Although DCED funding for the Ben Franklin Tech. Development Authority Fund has been significantly reduced for FY 2009-10, measures have been taken to ensure that the majority of this funding will be distributed to the Fund's four advanced technology centers. Language has been inserted into the general appropriations bill to require that 80% of funds appropriated to DCED for the Ben Franklin Fund will be distributed to these regional centers, which are located in Northeastern, Southeastern, Southwestern, and Central PA. In all, \$20 million has been appropriated to the Department to transfer to the Ben Franklin Fund, 16 million of which will be provided to these centers, or what are also referred to as "Technology Partners".

DEPARTMENT OF ENVIRONMENTAL RESOURCES

DEP, like every other Department will have significant cuts in many of its line items. Cuts are in the 12% to 16% range. Many of the line items with personnel were slashed 13% or more. There will undoubtedly be layoffs at DEP as they try to live within the limits of this budget. The appropriation for the general government for DEP is reduced by 18%.

There are some restorations from the other budget proposals that were considered by the general assembly. Sewer grants which were completely eliminated in several versions were restored by \$4 million. The three river basin commissions that are charged with regulating water usage and are more important due to the increased usage from the Marcellus Shale drilling were restored somewhat.

GAMING CONTROL BOARD

The budget provides for an appropriation of \$31,644,500 million for the operation of the Gaming Control Board. This funding will be used for the operation and personnel costs of the Board. The Gaming Board is responsible for the oversight of up to 14 operating facilities and up to 61,000 active slot machines. Currently there are 9 venues open with approximately 25,000 active slot machines.

A breakdown of revenues for the operating facilities as of June 30, 2009 and for Fiscal Year to Date follows:

	YTD 2008-2009	FYTD September 30, 2009
Total Gross Terminal Revenue	\$1,754,002,790	\$538,945,453
Total Property Tax Relief	\$596,360,948	\$183,241,454
Total Local Share Assessment	\$7,160,111	\$21,557,818
Total Economic Development	\$87,700,140	\$26,947,272
Total Race Horse Development Fund	\$210,480,334	\$64,645,799

State Gaming Fund

The total amount appropriated to the Pennsylvania Gaming Control Board is in the amount of \$31,644,500. In addition, this appropriation for the operation of the board includes a loan in the amount of \$23,531,500 which will be made from the Property Tax Relief Reserve Fund.

Gaming Board Support Agencies

Several state agencies provide support to the Gaming Control Board. Their budgets are submitted to the Board, which then has the responsibility of reviewing, approving and submitting those budget requests. The three agencies are closely involved with the day to day operation and regulation of operating facilities. The Department of Revenue is the manager of the central computer system which keeps track of all operating facilities in the Commonwealth. The Office of Attorney General and the Pennsylvania State Police work with the Board to assist with background checks, investigations, regulatory and legal issues. Below are the enacted budgets for fiscal year 2009-10 that were included in H.B. 1663, P.N. 2572:

Department of Revenue:	\$9,754,000
Attorney General:	\$914,000
Pennsylvania State Police:	\$16,636,000

Number of Active Slot Machines through September 30, 2008

Facility	No. of Slots
Mohegan Sun	2,463
Philadelphia Park	2,912
Harrah's Chester Downs	2,989
Presque Isle	2,000
The Meadows	3,739
Mount Airy	2,501
Penn National	2,374
Beth Sands	2,946
The Rivers	3,000
Total	24,924

As part of the final package, the General Assembly is expected to enact the legalization of table games at licensed slot facilities throughout the commonwealth. As part of this enactment, licensees will be required to pay a licensing fee of \$15 million to operate table games. This licensing fee, coupled with a tax on gross table games revenue is expected to provide \$200 million in General Fund revenues in fiscal year 2009-10 and \$120 million in General Fund revenues for fiscal year 2010-11. Finally, the tax structure will include a local share for host municipalities and counties.

DEPARTMENT OF HEALTH

Health Care Associated Infections

This program is a relatively new program that emanated out of the Governor's package of bills for Health Care reform. Act 52 of 2007 created this program to reduce pain and suffering to patients and manage health care cost. Patients with an infection acquired in a hospital are six times more likely to die than a patient who does not develop an infection. The Department through this program established criteria to decrease infections in health care facilities. For initial start-up – facilities must demonstrate a 10 percent reduction in infections reported as compared to baseline data. In the final stage of the program disease trends are determined and corrective action is recommended abating health risks. Due to cost saving measures this program will receive \$1.250 million in the 2009-10 fiscal year.

Increase Access to primary medical and dental care services to underserved areas of the state.

The Department of Health is attempting to address the issues of primary care in underserved areas of our state. To remediate the shortage of medical personnel in medically underserved areas of our state this 2009-10 budget provides \$4.178 million. This program will provide medical student loan forgiveness to primary care doctors that will serve for a number of years in certain underserved areas of our state that are woefully short of doctors.

Drug and Alcohol Programs

The Assistance to Drug and Alcohol Programs will receive \$41.750 million for the 2009-10 fiscal year; this is approximately \$900,000 less than the available year. These funds are allocated to Single County Authorities (SCA) in various counties throughout the state. The SCA contract is for Drug and Alcohol services. These drug and alcohol services include: prevention, intervention and treatment. Treatment can include: outpatient counseling, rehab, and partial hospitalization. The funding for this program is always in dire need for the many clients that it serves and many more that are on long waiting lists. The Behavioral Health Initiative in the Department of Public Welfare also provides some funding to those people who are cross addicted.

AIDS programs

The 2009-10 budget funded the AIDS Program at \$7.750 million. This program saw a budget cut of almost \$2 million. Although this cut will affect the number of individuals who would be tested for AIDS, it will not have a severe impact on case management for those who already are dealing with serious stages of the illness.

Cancer programs

The Cancer Control programs received \$853,000 in the 2009-10 budget. These programs provide specialized care to cancer patients from large medical centers to small health clinics located throughout the state. This ensures that even those patients living in remote areas of our state receive the most updated medical treatment. Statistical information is kept by the Department to monitor the cases of cancer and the information is updated on the Internet.

Tobacco Prevention and Cessation

These programs will received a reduction in tobacco funds. The 2009-10 budget will provide \$17.6 million to the Department for cessation and prevention programs. A portion of the cut will affect the Department of Health in their plans to allocate this money to primary contractors throughout the state. Counties will be affected based upon a portion of the total amount of funds that they receive. The state plans to maintain the Quitline program for the 2009-10 fiscal year.

Counties that receive base awards or contracts for tobacco prevention and cessation programs that have been approved will be cut, but will be able to operate on a smaller scale. The state plans to maintain the Quitline program for the 2009-10 fiscal year.

The Clean Indoor Air Act (CIAA) enforcement will continue to be maintained at current levels due to funding that was provided in the Bridge budget signed this summer.

HISTORICAL AND MUSEUM COMMISSION

The Historical and Museum Commission provides state and local museum assistance. The General Government Operations appropriation includes \$2.0 million for the commission's Maintenance Program which used to be a separate appropriation. For 2009-10, the GGO appropriation is reduced substantially, 33 percent, due to a decrease in administrative costs, for a total reduction of \$4.9 million.

Funds from the Keystone Recreation, Park and Conservation Fund for historic site development are not available in 2009/10, as SB 850 made a one year transfer of these funds to the general fund. The Commission, however, will receive federal funding for historic preservation programs.

Museum Assistance Grants

The budget restores some funding for the Museum Assistance Grant Program for 2009-10 at \$1.78 million. The Governor and the Senate Republican budget proposals had eliminated funding. The Museum Assistance and Local History Grant Program is a competitive financial assistance process available to all qualified history related institutions within Pennsylvania.

Non-preferred Museums

Funding for the individual museums that traditionally receive separate non-preferred appropriations has been significantly reduced. These museums will either be funded as separate appropriations, or alternatively, from a new line in the Executive Offices – Cultural Preservation Assistance – which includes a total of \$3.1 million for funding of museums and other cultural institutions. Regardless of how these museums are funded, the amounts will be as follows:

	2008/09 Revised Budget	Final Agreement
University of Pennsylvania Museum	\$236,000	\$113,000
Carnegie Museum of Natural History	\$236,000	\$113,000
Carnegie Science Center	\$236,000	\$113,000
Franklin Institute Science Museum	\$713,000	\$342,000
Academy of Natural Sciences	\$437,000	\$210,000
African American Museum	\$333,000	\$160,000
Everhart Museum	\$42,000	\$21,000
Mercer Museum	\$181,000	\$87,000
Whitaker Center	\$131,000	\$63,000
TOTAL	\$2,545,000	\$1,222,000

INSURANCE

All of the appropriations within the Insurance Department were reduced from the levels proposed by the Governor in his February Budget due to the fiscal constraints facing the Commonwealth.

Cover All Kids legislation was adopted in the fall of 2006. For FY 09/10, the budget includes \$97.1 million in state money and \$277 million in federal money to cover approximately 20,000 additional children. Current enrollment in the CHIP program is 196,112 as of Oct 2009.

Current enrollment in the adultBasic program is 42,345 with approximately 321,193 people on the waiting list. The Governor's budget proposed expanding the number of low-income Pennsylvanians with state-supported health care insurance from approximately 40,000 to 90,000 by the end of FY 2009/2010. Given that the expanded adultBasic program has not been enacted as part of the budget, adultBasic will be funded for the entire fiscal year as it has been in the past.

The FY 09/10 budget eliminates funding to repay the loan to the General Fund made by the Underground Storage Tank Indemnity Fund. This is a \$3 million decrease over the enacted funding in the FY08/09 budget.

JUDICIARY

The final budget provides an appropriation for the Judiciary in the amount of \$276.86 million in the budget for FY 2009-2010. This represents an overall decrease in funding of 10.02% from FY 2008-09. With fee increases detailed below, the total budget available for the Judiciary totals \$306.31 million.

The Commonwealth's Judicial System includes the Supreme Court, Superior Court, Commonwealth Court, Courts of Common Pleas, Philadelphia Municipal Court, Traffic Court of Philadelphia and the Magisterial District Justices (MDJ's). The Administrative Office of Pennsylvania Courts (AOPC) is the administrative arm of the courts. The AOPC provides services for approximately 2100 members of the judiciary and their staff.

Judicial Department	FY 2009-10 Appropriation
Supreme Court*	\$46,932,000
Superior Court	\$26,415,000
Commonwealth Court	\$16,0540,000
Courts of Common Pleas	\$83,903,000
Magisterial District Justices	\$59,637,000
Philadelphia Municipal and Traffic Courts	\$6,712,000
Court of Judicial Discipline	\$454,000
Judicial Conduct Board	\$1,182,000

*This item includes all rules committees of the Supreme Court, County Court Administrators, Office of the Court Administrator and other items.

This appropriation is enhanced by a fee increase included in H.B. 1607, P.N. 2747. The legislation would impose an additional fee on all civil and criminal filings for a period of twenty-five (25) months. The additional fee would be in the amount of \$13.50 and added to the current filing fee of \$10 that is shared between the Judicial Computer System Account and the Access to Justice Account providing funds to legal aid services.

The additional fees in House Bill 1607 would be distributed as follows:

- \$10.25 to the Judicial Computer Account.
- \$2.25 to the Criminal Justice Enhancement Account to fund full time District Attorney Offices. (This amount will be a permanent fee increase)
- \$1 to the Access for Justice Account for legal services.

The following amounts are expected from the following fees:

Account	Fee	FY 2009-10 Estimated Revenue
JCS	\$10.25	\$29.45M
CJEA—DA's	\$2.25	\$6.46M
ATJ—Legal Services	\$1	\$2.87M
Total	\$13.50	\$38.78M

LABOR & INDUSTRY

Along with many other departments and agencies of the Commonwealth, the Department of Labor and Industry will also have its fair share of funding reductions and program eliminations contained within the FY 09/10 budget.

Funding for the Department's general government operations is reduced in FY 09/10 to a total of \$13.6 million, down nearly \$1.6 million from FY 08/09, or an approximate cut of 10%. Also included in this budget are reductions of approximately \$500,000 for the Supported Employment line item and approximately \$500,000 for the Assistive Technology line item. Both appropriations were implemented to help provide assistance to the disabled on their paths to employment, self sufficiency and independence.

Furthermore, the Department's Employment Services program has been zeroed out for the current fiscal year. The program, which was established through the "Job Ready" program in 2004-05 to provide job training and employment opportunities for adult and youth demographics in PA, will result in \$9.4 million in savings for the state. In addition to the elimination of this program, the appropriations for Self Employment Assistance, Entrepreneurial Assistance, and Vocational Rehabilitation Services have also been zeroed out, saving the Commonwealth a combined total of almost \$3 million.

Although several of the Department's programs aimed at developing, growing and advancing Pennsylvania's workforce have been zeroed out for FY 09/10, others, such as Training Activities, Industry Partnerships, and New Choices/New Options, were able to be salvaged in the face of elimination. Combined, these three grant programs provide funding for the training and placement of dislocated and youth workers and work to better align existing training programs with the needs and demands of employers in competitive business sectors.

All three of these appropriations were proposed to be eliminated by both Senate and House Republican budget proposals. Yet despite those efforts, the three programs will receive a combined total of \$10.7 million in FY 09/10 in recognition of their effectiveness for combating one of the worst phases of unemployment the Commonwealth has seen in decades (PA's unemployment rate stood at 8.6% for August 2009, compared to the national rate of 9.7% for August 2009). The breakdown for the distribution of funding between the three programs within the Department is as follows:

- \$7.2 million for Training Activities
- \$1.5 million for New Choices/New Options
- \$2 million for Industry Partnerships

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA)

The Commonwealth's severe fiscal constraints and budgetary deficit are also the root cause behind a number of funding reductions and a few program eliminations for the DMVA.

The Department's general government operations will receive a cut of slightly more than \$1 million, decreasing from \$20.1 million in FY 08/09 to just over \$19 million for FY 09/10.

Additionally, the Department's Civil Air Patrol program will receive a 50% cut in funding from last fiscal year, funding for the Educational Assistance program transferred from the Department will be reduced by \$2 million, and grant funding for Veteran's Assistance will decrease by \$90,000.

Moreover, the appropriation for Scotland School for Veteran's Children has been zeroed out for FY 09/10 and is most notable amongst the program eliminations within the Department. The closure of the school, which has been administered by the DMVA since 1996 and could accommodate up to 360 students in grades 3-12, will result in approximately \$10.5 million in savings for the state, which will subsequently be used to close the budgetary gap or deficit.

In addition to the elimination of the school, the Department's Armory Maintenance and Repair program has also been zeroed out for FY 09/10, which will result in \$1.3 million in savings for the state. However, this program is not expected to be eliminated all together, rather, intentions are to simply suspend its funding for the current year.

Despite the aforementioned program eliminations and funding reductions, the Commonwealth was able to avoid substantial cuts to the state's system of veteran's homes. The appropriation for Veterans Homes will remain at the Governor's proposed funding level of approximately \$82 million. This is only \$1.3 million less than was appropriated in FY 08/09, and significantly more than the Republican proposal of \$74 million, which could have forced as many as 300 veterans out of the state's six homes, resulted in the loss of numerous employment positions, eliminated \$5.9 million in federal matching funds, and even forced one of the six homes to close all together.

In addition to this fiscal achievement, several appropriations within the Department, such as the Burial Detail Honor Guard and grant funding for the Education of Veteran's Children, will receive minor increases despite the Commonwealth's financial woes. Furthermore, a new line item called Facilities Management and Security has been implemented, which will provide for the operating costs of the former Willow Grove Air Naval Station and for the overall security needs of the Department.

OFFICE OF OPEN RECORDS

The Office of Open Records, located within the Department of Community and Economic Development, will see an increase of 47% in their appropriation for FY 2009-2010 from their FY 2008-2009 appropriation. This increase to \$1.250 million from \$851,000 is due to the fact that the Office was not fully operational for the entire FY 2008-2009, and FY 2009-2010 will be their first year of full operation.

EMERGENCY MANAGEMENT AND HOMELAND SECURITY

Spending by the Commonwealth for Emergency Management and Homeland Security for FY 2009-2010 will total \$15.494 million. While this is a decrease from FY 2008-2009, it is a \$5 million increase over the Senate Republican proposal.

The overall Department total includes a 1% increase in their General Government Operations line, with \$5.921 million available for FY 2009-2010, as well as close to level funding for several other lines. There was also \$300,000 appropriated for the Red Cross Extended Care Program to assist citizens of disasters, as well as \$5 million secured for Regional Events Security. Many of the Department's costs are offset by Federal dollars.

PENNSYLVANIA PUBLIC TELEVISION NETWORK (PPTN)

In large part, funding for the PPTN, which serves as a program sharing and storage hub for the state's eight public television stations, has been eliminated for the FY 09/10 budget, however, not entirely. A new line item called Public Television Technology has been created within the Governor's Executive Offices and is funded at \$1.5 million. This will allow the state to continue providing services previously supplied through the PPTN, but in a significantly scaled back fashion and now through, or as an operation of, the Office of Administration. Additionally, station grant funding previously administered by the PPTN will now be administered by the Office of Administration through an appropriation called Public Television Station Grants. However, funding for station grants has also been significantly reduced and is set at \$1 million.

DEPARTMENT OF STATE

Spending by the Commonwealth for the Department of State for FY 2009-2010 will total \$9.823 million. This is a decrease of approximately 21% from FY 2008-2009, but a \$200,000 increase over the Senate Republican proposal.

Many lines were able to be kept at near level funding; however, the overall Department total includes a 10% reduction in their General Government Operations line, with \$3.982 million available for FY 2009-2010. The largest cut comes to the Statewide Uniform Registry of Electors, which required a 33% spending cut, bringing the FY 2009-2010 spend to \$4.5 million. While these cuts were necessary in order to bring spending in line with projected revenues, the Department of State's costs are offset by Federal dollars.

STATE POLICE

The General Government Operations appropriation is critical to the Pennsylvania State Police because it provides funds for the trooper complement. For the 2009-10 fiscal year there will be 22 new hired. Forty-five positions will be transferred to the Commonwealth Technology Services in the Governor's Office, since the State Police has streamlined its communication and technology program. The State Police has eliminated twenty-six positions, mostly clerical. All in all, the number of state trooper positions will grow to nearly 4,500 by the end of the 2009-2010 fiscal year

The program, Law Enforcement Information Technology is being funded at \$7.289 million for the proposed 2009-10 fiscal year. This program is actually two programs that are now incorporated in this appropriation. The program, Incident Information Management System, will no longer be found in the 2009-10 budget. However, the program *will operate within* the Law Enforcement Information Technology program in the 2009-10 fiscal year. Last year both of these programs together received \$8.7 million. The Department will realize cost savings at the same time provide the trooper personnel the communication and information systems they have come to depend on in the past to provide them with real-time data.

DEPARTMENT OF TRANSPORTATION

Federal Economic Stimulus – Transportation

Pennsylvania received \$1.026 billion for Highway and Bridge work through the American Recovery and Reinvestment Act (ARRA). The funds were made available from the Federal Highway Administration (FHWA) on March 4, 2009. From March 4, 2009 through September 18, 2009, the Department had FHWA authorization (ability to spend federal funds) for 284 of the 293 ARRA funded projects. This accounts for \$910 million of the \$1.026 billion. The Department has received bids for 260 of the 293 projects and the bids received total \$789 million. The bids on ARRA projects are averaging approximately 10% below estimates. PennDot has been using the money it has saved by the low bids to build additional bridges and highways. The Disadvantaged Business Enterprise (DBE) construction goal for ARRA is 5.27%. To date PennDot's participation in the DBE for ARRA projects has been 6.79%.

Act 44

The Turnpike Commission continues to fully fund its obligations under Act 44. In the 2009-10 fiscal year the Commission will provide \$900 million in new funding for highway, bridge and transit programs. These funds will augment existing state highway and bridge programs that have been dedicated to repair and reconstruct over 40,000 miles of highways and 1,800 badly deteriorating bridges that are structurally deficient. The Turnpike has recently increased its fares on its toll roads by 25% in their effort to operate their highway system and at the same time provide critical dollars to Pennsylvania's infrastructure.

The Turnpike Commission has decided that by the end of the month of October or early November it will submit its application for federal approval to toll Interstate 80. The state needs to include in its plans a funding proposal that the money collected on the Interstate be spent on Interstate 80 that is being tolled. Without federal approval of the Turnpike's complete proposal the annual lease payments to the commonwealth from the Turnpike Commission will be reduced by more than \$450 million beginning in the 2010-11 fiscal year. This potential revenue loss would cost transit agencies more than \$150 million annually in capital support. The Department of Transportation would lose more than \$300 million for highway and bridge improvements. The Department would also have to reassume the annual cost of maintenance and rehabilitation of I-80, a cost that could exceed more than \$200 million annually.

Dollar Amounts in Thousands

					2007-08		2008-09		2009-10
Construction Programs									
Highway and Safety Improvements					\$140,000		\$135,000		\$121,125
Expanded Highway and Bridge Program					415,000		465,000		465,000
Highway Capital Projects					211,000		211,000		201,000
Maintenance Programs									
Highway Maintenance					798,238		834,100		775,339
Secondary Road - Maintenance and Resurfacing					65,230		66,350		63,143
Emergency Highway and bridge Repair					5,000		15,000		0
(above programs include Act 44 monies)									

Highway and Bridge Construction and Maintenance

The 2009-10 budget follows forward with the second year of the bridge program acceleration with \$200 million of additional resources. These funds will enable PennDot to address 367 structurally deficient bridges and at the same time create 6,600 jobs. This budget will provide for the structural restoration of 188 highway miles and the new construction of 25 highway miles. The reduction of spending from the available year to the budget year was due in large part to the decrease in motor license revenues. (See Motor License Fund)

The 2009-10 budget provides that \$838 million be used on Pennsylvania highways for the repair, resurfacing and reconstruction. Pennsylvania has 39,822 miles of roadway to maintain and it is the fifth largest state –owned roadway network in the nation. Despite the cost of highway materials increasing more than 35% over the last two years, Pennsylvania still maintains a strong construction and maintenance program.

Transit Programs

Since mass transit programs are now funded directly through the Public Transportation Trust Fund they will not be impacted by the budget cuts necessitated by the economic downturn. Act 44 will provide an additional \$50 million in dedicated capital support during the 2009-10 fiscal year. This increase will provide a total of \$400 million to transit agencies through Act 44 during the next fiscal year.

Lottery Fund supported Shared Ride funding is budgeted to increase modestly by \$2.3 billion to total more than \$80 billion in the proposed budget. Dedicated mass transit revenues, state capital support and Lottery Funded Shared Ride appropriations will make more than \$1 billion available for mass transit programs during the 2009-10 fiscal year in addition to several hundred million dollars in federal support through the proposed economic stimulus package.

MOTOR LICENSE FUND

The estimated Motor License Fund revenue for the 2008-09 state fiscal year was \$ 2.7 billion. However, two downward adjustments of \$149.28 million and \$26.56 million were made to this estimate during the year; therefore the estimate became \$2.556 billion. The reduction of revenue was primarily due to a reduction of money received through investments made by the Treasury using the Motor License Fund. This reduction of investments reflected the downturn in the economy that the whole country experienced. Also, at the beginning of the fiscal year gas prices, which have a strong and direct collocation on fuel taxes, were hovering at \$4 a gallon. This encouraged people to travel much less, regardless of whether it was cross town or across the state. The sour economy also effected Pennsylvanian's purchasing decisions with a reduction in the sale of vehicles. Because of the drop in sales of new and even used cars, the Fund collected less money from such fees as vehicle title transfers and car registrations. Considering the carry-over balance of \$110 million from the 2007-08 fiscal year and *prior year lapses of \$115 million*; the Motor License Fund had \$2.782 billion available to spend.

On the expenditure side, there was \$2.828 billion appropriated in 2008-09 fiscal year, but the Fund lost (\$102.76 million in current year lapses). So, in the final analysis, the ending total for expenditures was \$2.725 billion. Thus leaving the ending balance for the Fund in the 2008-09 fiscal year at \$57.68 million.

For the 2009-10 state fiscal year, the Governor *projected revenues* in February of \$2.687 billion but later in the year this number was reduced by \$52.8 million arriving at a new number of \$2.634 billion. This change was again due to the economy. Now, \$2.634 billion is the number *officially certified* on August 5 by the Governor. Therefore, all the funds in the Motor license Fund available in the 2009-10 fiscal year including the beginning balance of \$57.68 million from the 2008-09 fiscal year is \$ 2.692 billion.

The Governor has appropriated \$2.685 billion for expenditures for the 2009-10 fiscal year which included \$35.99 million in cuts taken mostly from two PennDot maintenance and safety improvement programs. The ending balance for this Fund for the 2009-10 fiscal year is expected to be \$6.827 million.

PUBLIC WELFARE

The Commonwealth's General Fund total expenditures are projected to decrease by \$477 million or -1.6%, while DPW's general fund spending will increase by \$615 million or 6.1%. The Administration was able to augment the Department's general fund spending due to the increase in the federal financial participation (FFP) rate through the President's American Recovery and Reinvestment Act (ARRA). Prior to ARRA, the federal government paid 55% of the Commonwealth's medical assistance costs. Under ARRA, the federal government will pay approximately 66% of Pennsylvania's medical assistance costs through the end of federal fiscal year (FFY) 2010, state fiscal year (SFY) 2010/2011. For FY 09/10, the budget anticipates \$1.7 billion in ARRA funds to be used to offset the cost of the Medical Assistance (MA) program. The increase in FFP rate allowed the Commonwealth to avoid cuts to health benefits and/or eligibility for medical services in the Medicaid program during the nationwide economic downturn.

Medical Assistance

The most significant spending and program issues in the Department's budget relate to the Medical Assistance program. This is part of a National Trend. In fact, Pennsylvania has one of the largest elderly populations in the country and the largest number of persons over 85. In addition, there is a growing trend by employers to cut back on employer sponsored health insurance, particularly for low wage workers.

**“Big 5” Medical Assistance Appropriations
(\$ are in thousands)**

	FY 08/09	FY 09/10	Difference
Outpatient	\$ 555,085	\$ 438,191	(\$116,894)
Inpatient	\$ 426,822	\$ 373,515	(\$53,307)
Capitation	\$2,652,827	\$2,186,187	(\$466,640)
LTC	\$ 672,597	\$ 540,266	(\$132,331)
Medicare Part D	\$ 418,592	\$ 450,218	\$31,626
Total	\$4,725,923	\$3,988,377	(\$737,546)

Net State Fund Decrease **(\$737,546)**

The big four MA appropriations are Outpatient (Non-Hospital), Inpatient (Hospital), Capitation (Managed Care), and Long Term Care (Nursing Homes). These four appropriations account for the overwhelming majority of the spending in the MA budget.

The following is a comparison of the major components of the Governor’s proposed Medical Assistance budget with the enacted budget.

<u>Governor’s Plan</u>	<u>Budget Agreement</u>	<u>FY 09/10 Net Cost/Savings</u>
2% Broad Based MCO Assessment (\$200 million)	5.9% Gross Receipts Tax on MA MCO (\$317 million)	(\$117 million)
MCO Pharmacy Carve out (\$54 million)	No MCO Pharmacy Carve out	\$54 million
Reduce Hospital Supplemental Payments (\$20 million)	Restoration of Hospital Supplemental Payments \$89.8 million	\$69.8 million
LTC appropriation supported by lottery and tobacco funds (\$298 million)	Lottery and tobacco fund support (\$306 million)	(\$8 million)
Access Plus Efficiencies (\$4.4 m)	Access Plus Efficiencies (\$4.4 m)	no change
Behavioral Health Managed Care Efficiencies (\$35 million)	Behavioral Health Managed Care Efficiencies (\$35 million)	no change

Services for Children

Child Welfare funding will increase \$18.9 million over FY 08/09 spending level, due largely to approved costs in the county needs-based budgets for FY 09/10.

The **Child Care Services** appropriation has received an additional \$5 million to help cover increased service costs. The **Child Care Assistance** line item contains \$198 million in state funding for FY 09/10. This funding will be used to cover increased service costs and to maintain the number of funded child care slots ensuring access to quality care.

Mental Health and Mental Retardation

The **Mental Health** program will receive a \$20.8 million increase over FY 08/09. This increase provides funding for annualization of FY 08/09 initiatives and restores one time budgetary cuts.

The **Mental Retardation** program has been split into two appropriations, **Community MR Base** programs and **Community MR Waiver** programs. Collectively, these appropriations will see a decrease of \$17 million in state funding. Due to General Fund revenue constraints, expansion funding was reduced in the enacted budget. However, MH/MR appropriations will receive approximately \$181.9 million in ARRA funding. It is too soon to know how the ARRA funds will be used to support the MH/MR programs.

For FY 09/10, **Early Intervention** will receive an increase of \$11.2 million over FY 08/09 and \$5.8 million in ARRA funding. It is too soon to know how many additional children will be served by the funding increase provided in the enacted budget or for what time period.

Other Social Programs

The budget provides substantial General Fund increases for the **Services to Persons with Disabilities** (\$18.9 million) and **Attendant Care** (\$25.5 million) programs and for home and community based services program funded with tobacco funds. In addition to the general fund increase, these appropriations collectively will receive \$44.7 million in ARRA funding during FY 09/10.

The **Behavioral Health Services** appropriation will receive an increase of \$12 million over the FY 08/09 spending level. This appropriation provides funding for drug and alcohol treatment services as well as mental health treatment services. During FY 09/10, the Department will provide services to approximately 45,000 individuals.

A program that benefits from the behavioral health services appropriation is the Fresh Start program in Philadelphia. Fresh Start provides transitional beds for individuals suffering from drug and alcohol abuse, a lot of them are veterans. There are approximately 70/80 beds throughout Philadelphia. During FY 08/09, Fresh Start received a total of \$1.3 million in state funds from the following 3 sources BHSI (DPW); DAAP (DOH); and Intermediate Punishment Drug and Alcohol Treatment funds. Since the Legislature was able to restore \$12 million to Behavioral Health services appropriation which faced a \$17.1 million cut in SB 850, Fresh Start should receive close to the FY 08/09 spending level.