



Governor Shapiro's Budget Proposal FY 2023-24

March 7, 2023

- Governor Shapiro is proposing a \$45.8 billion budget for FY 2023-24.
- That is an increase of **\$2.5 billion, or 5.9%**, over the prior year.
- The Governor does nothing in this budget to address our structural deficit.
- Over the next three years, this Budget eviscerates the anticipated FY 2022-23 ending balance of \$7.9 billion. Additionally, the Governor then proposes to raid the \$5 billion in the Rainy Day Fund to balance his proposed budget in years four and five.
- This budget does nothing to prepare the Commonwealth for the turbulent economic climate many economists are predicting.
- Given the demographic challenges we face in balancing the Commonwealth's budget with significant growth in the elderly population and contraction in the working-age population, this is not the time to expand government and introduce new spending initiatives.
- The Governor still needs to show us his new proposal for Education Funding following the Commonwealth Court decision – he should have used this budget to call for a reconvening of the Basic Education Funding Formula Commission.
- The House Republicans have led the charge in building the balance in the Rainy Day Fund in order to help address any future economic downturns. Now is not the time to significantly increase current spending and create new recurring expenditures which completely exhaust the almost \$13 billion in reserve funds the Commonwealth is estimated to have come June 30, 2023.

Revenue Changes and Fund Transfers

- While the Governor has been advocating for a quicker reduction in the Corporate Net Income Tax rate to achieve a rate of 4.00% by 2025, this budget proposes no changes to expedite the rate reduction from the following phase-down schedule provided in Act 53 of 2022:
 - 8.99% in 2023; 8.49% in 2024; 7.99% in 2025; and an additional 0.5% reduction each year thereafter until a rate of 4.99% is achieved in 2031.

- The Governor proposes the permanent transfer of the following tax revenues beginning in FY2023-24 to a newly created Public Safety and Protection Fund totaling \$1.017 billion to provide sustainability in funding the State Police:
 - \$400 million of Sales and Use Tax revenues from the purchases of motor vehicles, increasing by \$50 million annually until it reaches \$600 million in FY 2027-28.
 - Revenues collected from the Other Tobacco Products Tax estimated to be \$157.9 million in FY 2023-24.
 - Revenues collected from the 18% Liquor Tax estimated to be \$459.4 million in FY 2023-24.
- The creation of a refundable tax credit program for eligible taxpayers is proposed for those in the fields of nursing, teaching and policing equal to \$2,500 per year for three years to help attract and retain Pennsylvanians in the aforementioned fields. This refundable tax credit is estimated to increase tax refunds by \$24.7 million in FY 2023-24.
- There is a proposed transfer of \$31.9 million from the Medical Marijuana Program Fund to the General Fund to offset Department of Health operations.
- Exclusions from Sales and Use Tax and Gross Receipts Tax are proposed for mobile telecommunication services estimated to be \$62 million in FY 2023-24.
- The Governor is proposing the legalization of adult use cannabis beginning in FY 2024-25. With a 20% proposed tax on wholesale, the proposal is estimated to generate revenues of \$27.8 million for FY 2024-25; \$98.9 million for FY 2025-26; \$180.8 million for FY 2026-27; and \$252.7 million for 2027-28.
- The proposal contains a series of changes to the Property Tax Rent Rebate Program for claim year 2024:
 - Increases the income eligibility requirement for homeowners to \$45,000.
 - Increases the income eligibility requirement for renters to \$45,000.
 - Ties both requirements to inflationary index for claim year 2024 and each thereafter.
 - Increases the maximum rebate to \$1,000.
 - Monies from the Property Tax Relief Fund will be transferred to the Lottery Fund to provide the proposed increased rebate.
- The Governor's proposed budget increases the 911 surcharge by \$0.38 from \$1.65 to \$2.03, beginning January 2024, and ties future increases to inflation. This increase is estimated to generate \$54 million for emergency services.
 - Additionally, 2.75% of the total surcharge is proposed to be dedicated to fund the 988 mental health crisis and suicide prevention hotline.
- The Governor proposes an increase in the minimum wage from \$7.25 to \$15 per hour effective January 1, 2024.

PreK-12 Education

PreK-12 education would increase by almost \$900 million or 5.6%.

- **Basic Education Funding**: Governor Shapiro is seeking \$8.42 billion for basic education. This includes \$549 million for the school district social security formula and \$7.9 billion for the BEF formula. This is an increase for the BEF formula of \$792 million. Of this increase, \$225 million is a result of merging the 2022-23 Level-Up Supplement into the Basic Education Funding base, per Act 55 of 2022, and \$567.4 million is the increase in the amount of the distribution through the fair funding formula, an increase of 8%.
 - **Special Education**: This line item is proposed to be increased by nearly \$104 million.
 - **Career and Technical Education**: There is a proposed increase of \$14 million.
 - **PreK Counts**: The governor is proposing to increase this line item by \$30 million.
 - **Head Start Supplemental Assistance**: The governor is proposing to increase this line item by \$2.7 million.
 - **Early Intervention**: The governor is proposing to increase this line item by \$10.4 million.
 - **Adult and Family Literacy**: This line item is proposed to increase by \$3.8 million.
 - **School-Based Mental Health Support Block Grants**: The budget includes a new \$100 million appropriation to provide mental health services and resources to students and staff.
 - **School Environment Repairs and Improvements**: The budget includes a new \$100 million appropriation to provide grants for environmental improvement capital projects at school facilities.
 - **School Food Services**: This appropriation is increasing by just over \$49 million, to a total of \$91.8 million, an increase of 115%.
 - **Safe Driving Course**: The current \$1.1 million appropriation is transferred from the Motor License Fund to the General Fund.

Higher Education

- Funding levels for Penn State University, the University of Pittsburgh, Temple University, and Lincoln University are all proposed to increase by 7.1%. The total proposed 2023-24 funding amounts for each are as follows:
 - Penn State \$287.92 million
 - Pitt \$165.85 million
 - Temple \$169.44 million
 - Lincoln \$16.24 million
- Funding for the State System of Higher Education is proposed at \$563.52 million for 2023-24, an increase of \$11 million, or 2%.
- The primary Community College operating appropriation is proposed at \$261.6 million for 2023-24, an increase of \$5.13 million, or 2%.
- The Transfer to the Community Colleges Capital Fund remains at the 2022-23 level of \$54.2 million.
- This budget proposes a new \$1.66 million Parent Pathways appropriation to support parenting students at postsecondary institutions.
- The Governor proposes a 20% increase in the Sexual Assault Prevention appropriation, from \$1.25 million to \$1.5 million, “to combat campus sexual assault at postsecondary institutions.”
- PHEAA Grants to Students were funded at 2022-23 levels.

Community & Economic Development

- The proposed budget provides \$2.9 million within the General Government Operations appropriation, including ten (10) new positions in the Governor’s Office line, for an initiative to provide resources for the facilitation of transformational economic development projects through the Pennsylvania Office of Transformation and Opportunity.
- The Pennsylvania First appropriation is increased from \$20 million to \$33 million (65%) to assist in making Pennsylvania competitive with its surrounding competitors, all vying to attract new businesses. The appropriation also increases the allocation to the Workforce and Economic Development Network of Pennsylvania (WEDnetPA) from \$8 million to \$10 million. WEDnetPA serves as the Commonwealth’s incumbent worker training, providing resources to improve the skill level and productivity of Pennsylvania’s workforce.

- The Governor proposes the Foundations in Industry program with a new appropriation of \$3 million to start the program and cover costs related to in-classroom instruction that complements on-the-job learning required through registered apprenticeships and pre-apprenticeships.
- The Governor’s proposed 2023-24 budget includes \$8.6 million for an initiative within the Keystone Communities appropriation to assist communities that have already started on a path to revitalization to allow for greater participation from smaller, rural, and lower income communities into the existing program and potentially increase applications for the Elm Street designation.
- The Governor proposes a \$20 million appropriation to continue the same level of funding for historically disadvantaged businesses to replace the 2022-23 federal funding that was made available during the COVID-19 pandemic. The proposal recommends these funds to provide the proper access to capital needed to expand, or sustain, these business operations, providing access to new economic partnerships and opportunities.

Labor & Industry

- The Governor’s proposed budget provides \$1.3 million within the General Government Operations line with an intended goal of protecting workers’ rights by increasing the number of labor law compliance investigators by eight (8) to allow the agency to more quickly investigate more cases, while allowing for more strategic enforcement of current laws, and provide additional education for businesses.
- The Governor proposes \$3.5 million for the Schools to Work Program in order to further partnerships between CTE programs and employers. This program is currently funded by Reemployment Funds at the level of \$2.5 million. The goal of this program is to strengthen the Commonwealth’s support of workforce development partnerships between schools, employers, organizations, and associations and facilitates the creation of employment and training pathways.
- The Governor recommends increasing the Apprenticeship Training appropriation by \$2.5 million which includes an initiative to increase the number of registered apprenticeship opportunities in Pennsylvania and further expand registered apprenticeships into non-traditional occupations as well as serve underrepresented populations.
- The budget projects regular state-provided unemployment benefits to be roughly \$1.9 billion with employer and employee regular contributions of about \$2.5 billion in 2023-24.
- The Governor proposes a new Service and Infrastructure Improvement reauthorization of \$76.1 million for 2023-24 to continue unemployment compensation program operations and provide additional administrative resources.

Aging

- There are three initiatives in the Department of Aging (all funded through the Lottery Fund):
 - \$10 million increase for the PENNCARE appropriation:
 - \$5 million to recruit and retain staff serving older adults in their homes.
 - \$5 million to reduce the OPTIONS program waiting list by 1,200 people in order to help more seniors remain in the homes.
 - \$1 million increase for the Grants to Senior Centers appropriation to increase participation and programming at senior community centers.

Health

- There is a new \$2.3 million line item, Health Promotion and Disease Prevention, to implement prevention strategies to reduce maternal mortality and morbidity.
- There is a \$7.8 million initiative to provide additional local health department funding.

Human Services

- State funds for DHS are proposed to increase by \$2.7 billion over FY 2022-23, which is comprised of the following:
 - More than \$1.67 billion, or 62% of the increase is attributable to the phase-down of enhanced federal Medicaid matching funds provided during the COVID-19 pandemic that offset state funds.
 - The remaining \$1.0 billion reflects year-over-year growth of 5.5%.
 - 90% of this growth is in four line items: MA-Capitation, Payment to Federal Government-Medicare Drug Program, MA-Community HealthChoices, and Intellectual Disabilities-Community Waiver Program.
- The budget assumes state savings of \$401 million as a result of disenrolling ineligible individuals from Medicaid, who have remained in the program due to the federal COVID-19 Public Health Emergency.
- The budget assumes \$13.1 million for implementation of the Medical Assistance for Workers with Disabilities (MAWD) Workers with Job Success program.
- There is a \$16 million initiative in the Cash Grants appropriation to use state funds to increase the minimum SNAP benefit by \$12 per month for elderly or disabled individuals.

- There are four initiatives in the Mental Health Services appropriation:
 - \$20 million to increase county mental health base funds.
 - \$5 million for one-time 988 National Suicide Hotline buildout costs.
 - \$4 million to expand diversion and discharge programs for individuals with mental illness currently in the criminal justice system.
 - \$1.25 million to provide home and community-based services for 20 individuals currently residing in state mental health hospitals.
- There is a new line item that transfers \$12 million to the Home and Community-Based Services for Individuals with Intellectual Disabilities Augmentation Account.
 - This reflects the year-over-year state funds decrease in the Intellectual Disabilities – State Centers appropriation resulting from the closure of Polk and White Haven facilities.
- There is a \$17.5 million initiative to serve 850 individuals on the ID waiting list.
 - 750 additional individuals in the Community Living waiver and 100 in the Consolidated waiver.
- There is an additional \$66.7 million in the Child Care Services appropriation to backfill federal funding previously used to increase Child Care Works subsidy base rates.

Transportation

- Total proposed PennDOT budget from all sources (Federal, Motor License Fund, Restricted Accounts, Lottery Fund, Public Transportation Trust Fund, etc.) decreases by \$221.4 million (-2.1%) from \$10.49 billion in 2022-23 to \$10.22 billion in 2023-24.
- Total funding for state highways/bridges is \$6.15 billion, an increase of \$189 million (3.2%) from \$5.97 billion in 2022-23.
- The Governor’s budget proposal includes the reduction of transfers from the Motor License Fund to the Pennsylvania State Police by \$100 million each year until there is no further reliance in 2027-28. The accumulated savings to the Motor License Fund would be \$1.5 billion over five years which would be available for road and bridge projects. This funding provides the expected match to the federal funding received from the Infrastructure Investment and Jobs Act.

State Police

- The PSP budget for FY2023-24 is proposed at \$1.6 Billion.
- The Governor’s budget proposes to redirect all General Fund and Motor License Fund (MLF) appropriations completely “offline” to a special fund called the “Public Safety and Protection Fund.”
- In 2022-23, the PSP were appropriated \$500 million from the MLF. This budget proposes transferring \$400 million to the newly created Public Safety and Protection Fund in 2023-24 and further reduces transfers from the MLF to the Public Safety and Protection Fund by \$100 million annually until there is no further reliance in 2027-28. Proposed revenue sources also include transfers of liquor tax, other tobacco products tax, a portion of the motor vehicle sales and use tax, and various restricted and federal funding sources.
- The Governor proposes \$16.4 million for 4 new cadet classes in 23-24.
- The budget proposes \$20 million for equipment replacement and upgrades.

Commission on Crime and Delinquency

- \$105 million for Violence Intervention and Prevention grants in PCCD, an increase of \$75 million or 250%.
- \$5 million for the Nonprofit Security Grant Fund Program in PCCD – These grants are for security enhancements for nonprofit organizations within a bias motivation category for single bias hate crime incidents identified by the FBI.
- \$10 million through PCCD and the Criminal Justice Advisory Committee (CJAC) for Indigent Defense.
- \$4 million to PCCD for adult probation services at county level to reduce recidivism.

Corrections

- The largest increase is in State Correctional Institutions, which accounts for \$121.7 million of the increase and includes \$355,000 for an initiative in collaboration with Secretary of Board of Pardons to expedite clemency process.
- The State Field Supervision line item is also proposed to get an 8.5% increase, or \$13.51 million and includes a \$1.5 million initiative for technology upgrades and \$359,000 for an initiative to reduce recidivism by deterring violent behavior through intense supervision.
- The Office of Victim Advocate was moved from the General Government Operations appropriation to a separate line item, funded at \$3.46 million.

Agriculture

- The governor is proposing a \$4.79 million increase for the Department of Agriculture, a 2.1% increase.
- Agricultural Excellence increases \$500,000 or 16.4%, which includes \$500,000 for a new initiative to expand the supply chain for Pennsylvania's diverse plant industries.
- Agricultural Business and Workforce Investment increases \$500,000 or 11.1%, which includes \$300,000 transferred from the PA Preferred Program Trademark Licensing for program support and \$200,000 for a new initiative to expand provide mental health services. It is reported that this will supplement existing federal funding to support current efforts to assist farmers' mental health concerns.
- Fresh Food Financing is a new \$2 million initiative proposed to improve access to quality fresh food at smaller and non-traditional locations.
- Transfer to Agricultural College Land Scrip Fund increases \$1.154 million resulting from a new initiative to invest in higher education and improve programs related to agriculture.
- University of Pennsylvania – Veterinary Activities increases \$633,000 or resulting from a new initiative to invest in higher education and improve programs related to agriculture.
- University of Pennsylvania – Center for Infectious Disease increases \$38,000 resulting from a new initiative to invest in higher education and improve programs related to agriculture.

Environmental Protection

- Environmental Program Management increases \$2.33 million, or 6.5%, which includes a \$537,000 initiative to increase staff and resources for the improvement of permit processing, inspections, and program oversight. This request proposes four (4) new positions specifically for permit processing, inspections, and program oversight.
- Environmental Protection Operations increases \$11.4 million, or 11.1%, which includes a \$1.212 million initiative to increase staff and resources for the improvement of permit processing, inspections, and program oversight. This request proposes eleven (11) new positions specifically for permit processing, inspections, and program oversight.

Clean Air Fund (RGGI)

- DEP is continuing its plan to participate in the Regional Greenhouse Gas Initiative (RGGI) and implementing the regulations and program for the CO2 Budget Trading Program as adopted by the Independent Regulatory Review Commission in 2021.
- As presented in the Clean Air Fund financial statement under the Special Funds section of the Governor’s Executive Budget, the budget is projected to collect and use \$663.343 million in revenues deposited into the Clean Air Fund for the purposes of this trading program.
- The revenues from the CO2 Budget Trading Program are to provide additional staff and resources “to meet monitoring and air quality sampling requirements of the Pennsylvania Air Pollution Control Act and the federal Clean Air Act....”
- Major Emission Facilities (EA) - 15 new positions for increased air quality monitoring efforts.
- Clean Energy Programs (EA) - 17 new positions for implementing the CO2 Budget Trading Program.

Conservation and Natural Resources

- General Government Operations increases \$2.46 million, or 8.3%, which includes, a \$1.04 million initiative to increase resources and staff to support sustainable outdoor management, infrastructure updates, and safety and a \$422,000 initiative to increase resources to maximize the benefits of outdoor recreation. An additional \$1.435 million is transferred from the Oil and Gas Lease Fund to supplement operations. This request proposes ten (10) new positions related to outdoor recreation, infrastructure updates, and safety.
- State Parks Operations General Fund support increases \$10.17 million, or 16.7% compared to FY 2022-23, which includes a \$601,000 initiative to increase resources and staff to support sustainable outdoor management, infrastructure updates, and safety. An additional \$601,000 is transferred from the Oil and Gas Lease Fund to supplement operations. This request proposes five (5) new positions related to outdoor recreation, infrastructure updates, and safety.
- State Forest Operations General Fund support increases \$3.310 million, or 7.4% which includes a \$735,000 initiative to increase resources and staff to support sustainable outdoor management, infrastructure updates, and safety. An additional \$735,000 is transferred from the Oil and Gas Lease Fund to supplement operations. This request proposes six (6) new positions related to outdoor recreation, infrastructure updates, and safety.

Military and Veterans Affairs

- Keystone State Challenge Academy increases \$496,000 or, 29.6% compared to FY 2022-23.
- Armory Maintenance and Repair increases \$500,000 or 18.9% to ensure the solvency of the State Treasury Armory Fund.
- Special State Duty increases \$35,000 or 100% compared to FY 2022-23 to allow for daily allowance increase per Act 38 of 2022.
- Veterans Homes increases \$13.995 million or 9.9%. This includes \$1.3 million to replace federal funding received in FY2022-23 for COVID-19 response and \$1.201 million for emergency repairs at veteran's homes.
- Veterans Outreach Services increases \$622,000 or 16.6%, which includes \$284,000 to increase outreach and resources to assist veterans access available benefits.