



GOVERNOR WOLF

SCHOOLS THAT TEACH • JOBS THAT PAY • GOVERNMENT THAT WORKS

2016-17
GOVERNOR'S EXECUTIVE BUDGET



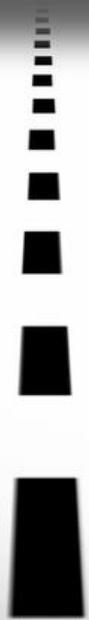


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STATUS QUO

BRIGHTER FUTURE



PA
BUDGET



February 9, 2016

BIPARTISAN BUDGET AGREEMENT 2015-16

- \$30.5 B total spend, excluding \$280 M for PSERS restricted account
- \$487 M increase for education:
 - Basic Education: \$377 M
 - Special Education: \$50 M
 - Pre-K/Head Start: \$60 M
- Fully funds pension and debt obligations
- Eliminates the structural budget deficit

HOUSE BILL 1460 BUDGET 2015-16

- \$30.3 B total spend, including a \$95 M cut to education:

| | |
|---------------------|-----------------|
| Basic Education | \$150 M |
| Special Education | \$30 M |
| Pre-K/Head Start | \$30 M |
| School Construction | (\$305 M) |
| Total | (\$95 M) |

- \$510 M out of balance
- Grows the structural budget deficit

MAJOR 2015-16 ACCOMPLISHMENTS

- Medicaid Expansion – reduced uninsured from 14% to 8% and cut costs by more than \$500 M
- SNAP (Food Stamp) Reforms
 - Eliminated asset test
 - Reduced errors by 60%, avoiding \$35 M in payments
 - Cut administrative costs by \$3.5 M
- Employment Initiatives – helped 45,000 TANF recipients secure employment and reduced TANF rolls by 14,000
- Cut corrections population by nearly 850 inmates

GOVERNOR'S PROPOSED BUDGET 2016-17

- \$32.7 B total spend driven by \$1.6 B of mandated spending increases:
 - Debt obligations: \$100 M
 - Corrections: \$178 M
 - Human Services: \$800 M
 - Pensions: \$500 M



2016-17 INCREASED SPENDING

- Total \$2.2 B increase over 2015-16:
 - Mandated spending increases: \$1.6 B
 - Aid to school districts: \$500 M
 - All other increases: \$120 M



GENERAL FUND FINANCIAL STATEMENT

(Dollars in Thousands)

| | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> |
|---|-------------------|-------------------|-------------------|
| Beginning Balance | \$ 83,745 | \$ 206,343 | \$ 31,233 |
| Base Revenue | 30,592,501 | 30,926,200 | 31,772,400 |
| Proposed Revenue Package | | 892,600 | 2,721,900 |
| Enhanced LCB Proceeds | | | 100,000 |
| Transfer of PIT to PSERS Restricted Account | | (280,313) | (560,625) |
| Refunds | (1,340,000) | (1,355,000) | (1,325,000) |
| Total Revenue | <u>29,252,501</u> | <u>30,183,487</u> | <u>32,708,675</u> |
| | | | |
| Prior-Year Lapses | 90,974 | 200,000 | - |
| Funds Available. | <u>29,427,220</u> | <u>30,589,830</u> | <u>32,739,908</u> |
| | | | |
| Total Expenditures | <u>29,152,763</u> | <u>30,558,597</u> | <u>32,727,800</u> |
| | | | |
| Preliminary Balance | 274,457 | 31,233 | 12,108 |
| Transfer to the Rainy Day Fund | (68,614) | - | (3,027) |
| Ending Balance | <u>\$ 205,843</u> | <u>\$ 31,233</u> | <u>\$ 9,081</u> |



SUSTAINABLE REVENUE PACKAGE

| <i>(Dollar amounts in millions)</i> | 2015-16 | 2016-17 |
|--|----------------|------------------|
| Personal Income Tax increase from 3.07% to 3.4% | \$554.6 | \$1,294.4 |
| Sales Tax Base expansion | 66.1 | 414.6 |
| Bank Share Tax increase from .89% to .99% | 37.4 | 39.2 |
| Insurance Premiums Tax surcharge for P+C and Fire of .5% | 80.7 | 100.9 |
| Cigarette Tax increase from \$1.60 to \$2.60 per pack | 122.2 | 468.1 |
| Other Tobacco Products tax at 40% | 10.6 | 136.0 |
| Severance Tax at 6.5% with Impact Fee credit | -- | 217.8 |
| Gaming Promotional Play tax at 8% | 21.0 | 50.9 |
| Total | \$892.6 | \$2,721.9 |

HOUSE BILL 1460 FINANCIAL STATEMENT

(Dollars in Thousands)

| | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> |
|--|-------------------|---------------------|-----------------------|
| Beginning Balance | \$ 83,745 | \$ 205,843 | \$ (510,693) |
| Base Revenue | 30,592,501 | 30,825,071 | 31,872,400 |
| One-Time Revenue for 2015-16. | | 46,629 | |
| Refunds | (1,340,000) | (1,325,000) | (1,325,000) |
| Total Revenue | 29,252,501 | 29,546,700 | 30,547,400 |
| | | | |
| Prior-Year Lapses | 90,974 | - | - |
| Funds Available. | 29,427,220 | 29,752,543 | 30,036,707 |
| | | | |
| Total Expenditures | 29,152,763 | 30,263,236 | 32,266,638 |
| | | | |
| Preliminary Balance | 274,457 | (510,693) | (2,229,931) |
| Transfer to the Rainy Day Fund | (68,614) | - | - |
| Ending Balance | \$ 205,843 | \$ (510,693) | \$ (2,229,931) |



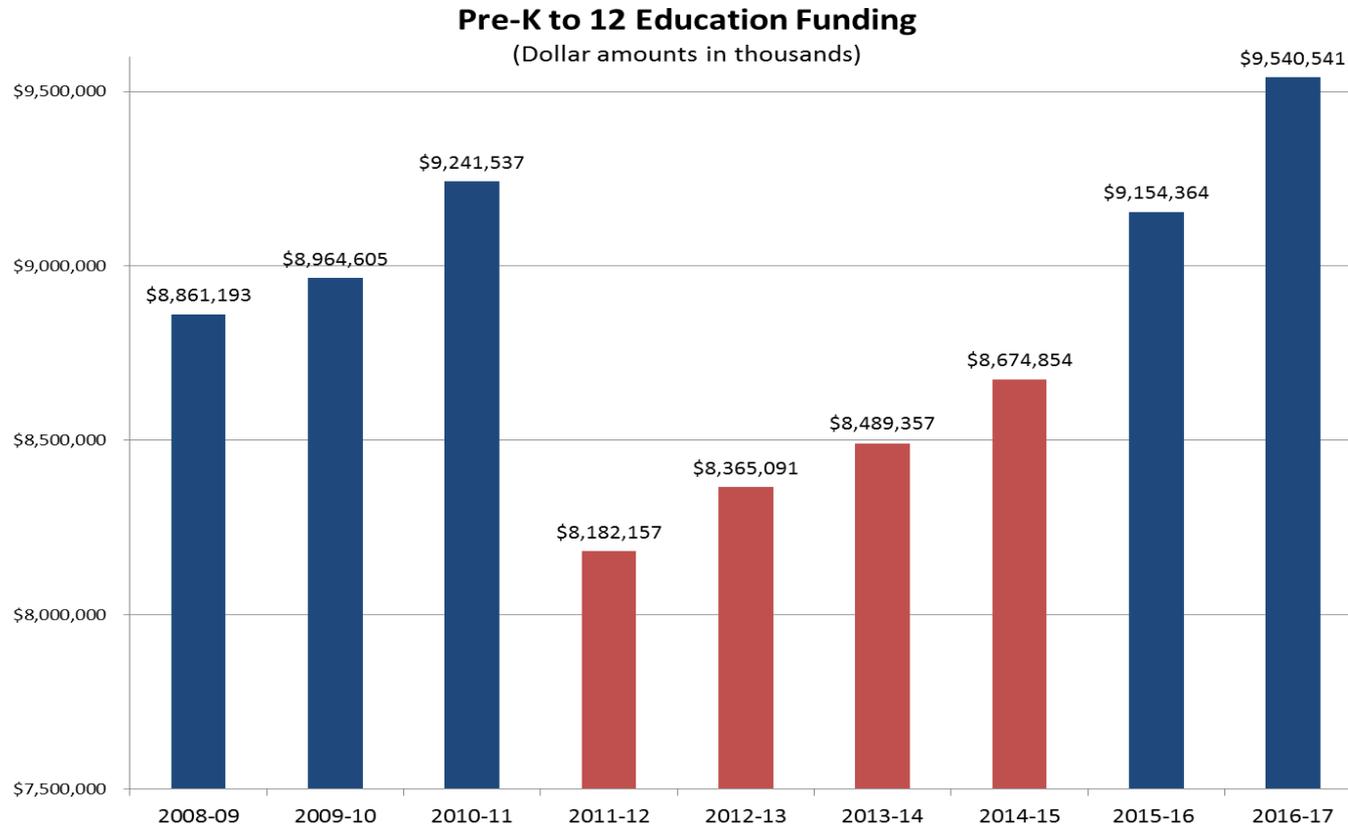
IMPACTS OF BUDGET SHORTFALL EXCEEDING \$2 BILLION

- \$1 B cut to Pre-K-12 education
- No funding for school construction
- No funding for state-related universities
- \$600 M cut for vital human services
- Increasing debt costs
- Rising local property taxes



SCHOOLS THAT TEACH PRE-K-12 EDUCATION

- Basic Education: \$200 M (Fair Funding Formula)
- Special Education: \$50 M
- Pre-K/Head Start: \$60 M



EDUCATION ACCOUNTABILITY

- In 2015, 96 percent of PA school districts submitted a funding impact plan
- 2016-17 Accountability Initiatives:
 - Office of School Improvement
 - School Performance Profiles
- Applying the same accountability standards to charter schools that currently apply to traditional public schools

2016-17 CHARTER SCHOOL FUNDING REFORM

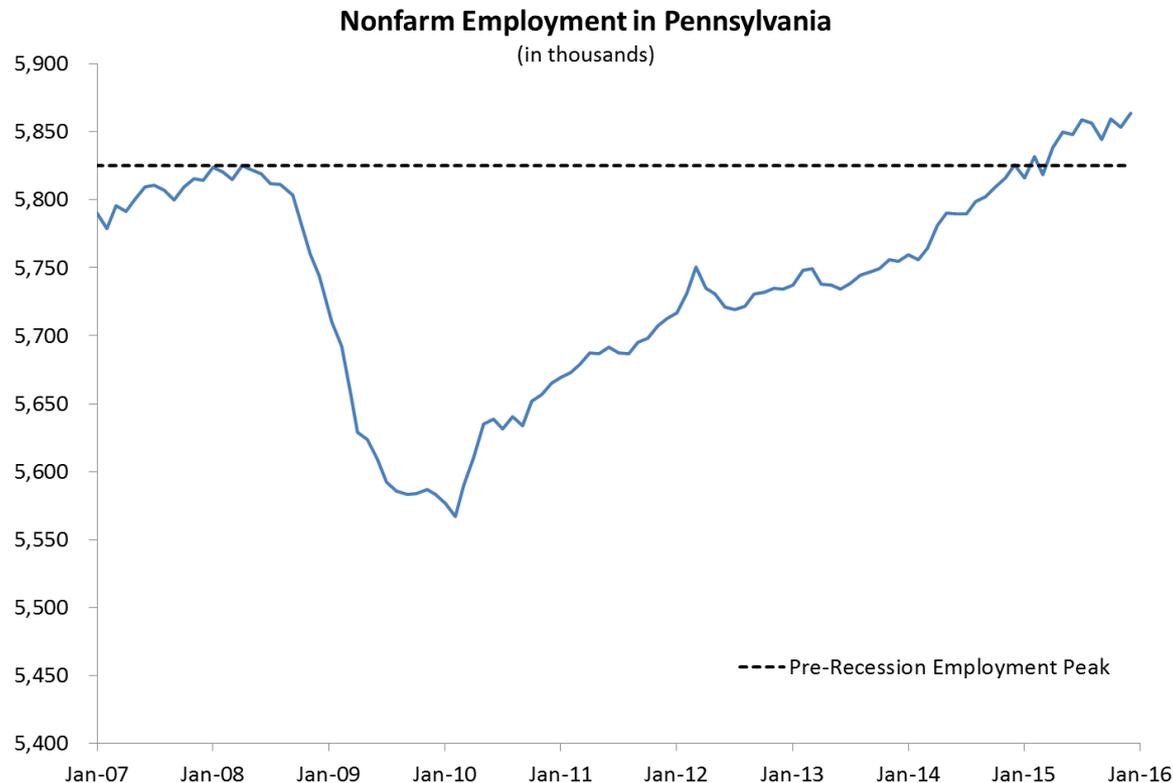
- Implement 2014 Special Education Funding Commission charter reforms: \$180 M in savings
- Cyber charter school funding reform: \$50 M in savings
- Permanently end the pension “double dip”: \$110 M in savings
- Charter school reimbursements based on audited costs: \$148 M in unassigned fund balances

SCHOOLS THAT TEACH

- **Career and Technical Education**
 - Career and Technical Education: \$15 M increase
 - Career and Technical Education Equipment Grants: \$5 M
 - Career Counselors: \$8 M
- **Higher Education: two-year 5% increases**
 - Community Colleges: \$22.1 M
 - PASSHE: \$42.3 M
 - State-Related Universities: \$59.7 M

JOBS THAT PAY

- Full phase out of the Capital Stock and Franchise Tax effective January 1, 2016
- Solid GDP growth increased employment by 38,000 in 2015
- Total employment reached all-time high of 5.86 M
- Unemployment rate fell to 4.8%



Source: Current Employment Statistics, U.S. Bureau of Labor Statistics

FUND PROVEN JOB CREATION PROGRAMS

- PA First: \$45 M
- Keystone Communities: \$15 M
- Infrastructure and Facilities Improvement Program: \$30 M
- Base Realignment and Closure: \$798,000
- Reallocate \$125 M in existing CFA resources to recapitalize Business in Our Sites
- Boost the minimum wage to \$10.15 per hour

WORKFORCE INVESTMENT AND TRAINING

- Workforce Investment and Opportunity Act
 - Inter-agency plan to match employers with workers
- Industry Partnerships: \$11.6 M
- Vocational Rehabilitation: \$2 M increase
 - Leverages \$8 M in federal funds
- IRC Manufacturing Initiative: \$12 M
- Summer jobs and youth employment programs

GOVERNMENT THAT WORKS

ADMINISTRATIVE CONSOLIDATIONS & SAVINGS

- Merge Department of Corrections and Probation and Parole - \$10 M in savings
- Move eHealth Partnership to DHS - \$1 M in savings
- Transfer CHIP to DHS to reduce administrative costs
- Pension Improvements
 - Reduce investment fees and consolidate investment management
 - Eliminate redundant Public Employee Retirement Commission functions

MAJOR GO-TIME PROJECT SAVINGS

- Improving Procurement Strategies: \$100 M
- Transforming Data Centers: \$18.3 M
- Consolidating Mailrooms and Services: \$1.8 M
- Regionalizing State Prison Purchasing: \$1.5 M
- Other GO-TIME savings projects:
 - Sharing Electronic Grants Software
 - Innovative Financing for Energy Savings
 - Online Voter Registration

INITIATIVES TO DRIVE LONG-TERM SAVINGS

- Expanding home- and community-based care: \$92 M
- Restoring human services cuts for county-based programs: \$28 M
- Reducing waiting lists for intellectual disabilities, autism and child care: \$24 M
- Home visiting intervention for at-risk infants and toddlers: \$10 M



INITIATIVES TO DRIVE LONG-TERM SAVINGS

- Combating the heroin and opioid epidemic: \$34 M
- Protecting our farmers and food suppliers: \$3.5 M
- Creating new problem-solving courts: \$300,000
- Expanding intermediate punishment programs to non-participating counties: \$2 M



WHICH PATH DO WE CHOOSE?

Building upon the bipartisan compromise:

- Invests in our schools
- Restores cuts to counties
- Eliminates the structural deficit
- Targets investments for long-term savings
- Streamlines government and maximizes efficiencies

Refusing to invest in our future:

- Slashes funding for our schools
- Abandons services for those in need
- Jeopardizes our bond rating and job growth
- Spikes local property taxes
- Forfeits opportunities to reform government