2016-17
GOVERNOR’S EXECUTIVE BUDGET
STATUS QUO

BRIGHTER FUTURE
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:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Education</td>
<td>$150 M</td>
</tr>
<tr>
<td>Special Education</td>
<td>$30 M</td>
</tr>
<tr>
<td>Pre-K/Head Start</td>
<td>$30 M</td>
</tr>
<tr>
<td>School Construction</td>
<td>($305 M)</td>
</tr>
<tr>
<td>Total</td>
<td>($95 M)</td>
</tr>
</tbody>
</table>

• $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)

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

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax increase from 3.07% to 3.4%</td>
<td>$554.6</td>
<td>$1,294.4</td>
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<tr>
<td>Sales Tax Base expansion</td>
<td>66.1</td>
<td>414.6</td>
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<tr>
<td>Bank Share Tax increase from .89% to .99%</td>
<td>37.4</td>
<td>39.2</td>
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<tr>
<td>Insurance Premiums Tax surcharge for P+C and Fire of .5%</td>
<td>80.7</td>
<td>100.9</td>
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<tr>
<td>Cigarette Tax increase from $1.60 to $2.60 per pack</td>
<td>122.2</td>
<td>468.1</td>
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<tr>
<td>Other Tobacco Products tax at 40%</td>
<td>10.6</td>
<td>136.0</td>
</tr>
<tr>
<td>Severance Tax at 6.5% with Impact Fee credit</td>
<td>--</td>
<td>217.8</td>
</tr>
<tr>
<td>Gaming Promotional Play tax at 8%</td>
<td>21.0</td>
<td>50.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$892.6</strong></td>
<td><strong>$2,721.9</strong></td>
</tr>
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## HOUSE BILL 1460 FINANCIAL STATEMENT

### (Dollars in Thousands)

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<tr>
<td><strong>Beginning Balance</strong></td>
<td>$83,745</td>
<td>$205,843</td>
<td>$(510,693)</td>
</tr>
<tr>
<td><strong>Base Revenue</strong></td>
<td>30,592,501</td>
<td>30,825,071</td>
<td>31,872,400</td>
</tr>
<tr>
<td><strong>One-Time Revenue for 2015-16</strong></td>
<td>46,629</td>
<td></td>
<td></td>
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<tr>
<td><strong>Refunds</strong></td>
<td>$(1,340,000)</td>
<td>$(1,325,000)</td>
<td>$(1,325,000)</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>29,252,501</td>
<td>29,546,700</td>
<td>30,547,400</td>
</tr>
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<td><strong>Prior-Year Lapses</strong></td>
<td>90,974</td>
<td></td>
<td></td>
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<td>29,427,220</td>
<td>29,752,543</td>
<td>30,036,707</td>
</tr>
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<td>29,152,763</td>
<td>30,263,236</td>
<td>32,266,638</td>
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<td><strong>Preliminary Balance</strong></td>
<td>274,457</td>
<td>$(510,693)</td>
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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

Pre-K to 12 Education Funding
(Dollar amounts in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding</th>
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<tbody>
<tr>
<td>2008-09</td>
<td>$8,861,193</td>
</tr>
<tr>
<td>2009-10</td>
<td>$8,964,605</td>
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<tr>
<td>2010-11</td>
<td>$9,241,537</td>
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<tr>
<td>2011-12</td>
<td>$8,182,157</td>
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<tr>
<td>2012-13</td>
<td>$8,365,091</td>
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<tr>
<td>2013-14</td>
<td>$8,489,357</td>
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<tr>
<td>2014-15</td>
<td>$8,674,854</td>
</tr>
<tr>
<td>2015-16</td>
<td>$9,154,364</td>
</tr>
<tr>
<td>2016-17</td>
<td>$9,540,541</td>
</tr>
</tbody>
</table>
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%

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