To the People of Pennsylvania:

The last five years has been a time of great change in Pennsylvania. We started with a bleak economic outlook and minimal funding in our Rainy Day Fund. Five years later, with strategic investments into our workforce, education, and supports for our most vulnerable populations, we see a growing economy and have over $340 million in the Rainy Day Fund.

The 2020-21 budget continues to build upon that success. This budget focuses on key investments in the most important issues facing our state. Growing the strength of our workforce, breaking down barriers to employment, providing a fair wage for all Pennsylvania workers, protecting Pennsylvanians from gun violence, and investing in services for individuals with disabilities will make our state a better place to live.

Through comprehensive charter school funding reform, we will be able to appropriately fund charter schools while saving an estimated $280 million for school districts. This will maintain choice for children and their parents while fairly funding public schools.

The 2020-21 budget also focuses on our infrastructure by calling for action on pipeline safety; providing staff in our state parks, state forests and environmental protection; and proposing a comprehensive strategy for lead and asbestos removal to protect our children.

This proposal provides a comprehensive package of investments that will strengthen our economy, support individuals in need, and continue Pennsylvania on a path to prosperity.

I look forward to continuing to work with all members of the General Assembly to move our state forward.

Sincerely,

Tom Wolf
Over the past five years, responsible budgeting in Pennsylvania has allowed the commonwealth to go from a bleak economic outlook and minimal funding in the Rainy Day Fund to a growing economy and over $340 million in the state's Rainy Day Fund. Pennsylvania has made historic investments in education, expanded workforce development programs, addressed the opioid epidemic, and improved state government efficiencies. But there is still more to be done.

The 2020-21 budget continues to invest in these initiatives while also increasing access to healthy food, addressing gun violence, calling for action on pipeline safety, striving to reduce lead exposure, and working hard to make critical investments in our state’s most vulnerable populations.

- The General Fund budget is $36.056 billion, an increase of $1.460 billion, or 4.22 percent over the prior year.

**Investing in Our Children**

- Proposes an expansion of universal, free, full-day kindergarten for all Pennsylvania students.
- Continues Governor Wolf’s commitment to investing in education at all levels, including a $25M increase for Pre-K Counts; a $5M increase for the Head State Supplemental Program; a $100M increase in Basic Education; and a $25M increase in Special Education.
- Includes a $15.3M increase in federal funds to create a more stable business environment for child care facilities and to ensure equal access to these services.
- Invests in our state’s Early Intervention programs by increasing county administrative allocations by $2.5M for birth to age 3 services and providing an $11M increase to fund an additional 2,000 slots for children ages 3 to 5.
- Proposes a comprehensive Charter School Law reform that is estimated to save school districts approximately $280M per year.
- Repurposes $204M from the Pennsylvania Race Horse Development Trust Fund to support the Nellie Bly Tuition Program, which will provide financial assistance to full-time PASSHE students who agree to stay in Pennsylvania for the same number of years for which they receive the benefit.
- Proposes a total of $60M in new funding for the Pennsylvania State Grant Program through PHEAA.
- Proposes $12.9M to support a system redesign and shared IT infrastructure initiative for all PASSHE universities.
- Implements lead and asbestos testing and remediation through the federal Health Services Initiative, PENNVEST funding, and expansion of RACP-eligible projects.

**Building the Nation’s Strongest Workforce**

- Provides $12M in grant funding to implement recommendations brought forth by the Keystone Economic Development and Workforce Command Center to assist workers in overcoming barriers such as transportation, child care, training, licensure and community re-entry.
- Invests $14.8M in federal dollars into the Department of Human Services redesign of its employment and training programs to meet the needs of individuals and families working toward career pathways and family-sustaining wages.
- Invests $23.4M in federal funding for TANF recipients to address the benefits cliff by creating a work expense deduction that will pave a pathway for Pennsylvania families to work toward self-sufficiency.
- Proposes combined reporting and to reduce the Corporate Net Income Tax from 9.99 to 8.99 percent on January 1, 2021 and then incrementally to 5.99 percent by 2025.
- Increases teacher salaries to a minimum of $45,000/year.
Proposes increasing the minimum wage to $12/hour for all Pennsylvania workers with a path to $15/hour by 2026

Invests more than $20M in new manufacturing and technology jobs, works to attract new innovative businesses and provides job training opportunities throughout Pennsylvania

Keeping Pennsylvanians Safe

• Commits $6M in additional funds to reduce and prevent gun violence throughout Pennsylvania
• Proposes an additional $4M for Philadelphia’s Gun Violence Task Force
• Assesses a fairer police service fee to all communities benefiting from police services provided by the Pennsylvania State Police

Protecting Our Most Vulnerable

• Invests $1.4M for adults living in long-term care facilities who require ventilator care
• Provides $1M to expand legal services to low-income individuals and families
• Commits $1.2M in new dollars to establish a training program for direct care workers in the Participant Directed Model to support individuals with physical disabilities living in the community
• Invests $4M more to counties for risk management to support individuals with intellectual disabilities and/or autism
• Proposes $5.1M additional dollars to fund staff within the Department of Human Services to implement changes in law, regulations, and licensing as recommended by the Council on Reform
• Proposes $1.25M for 20 Community Hospital Integration Projects Program discharges to reduce state hospital populations
• Proposes $8.1M in new funding to provide services to 1,700 seniors on the OPTIONS in-home services waiting list
• Invests $1.3M in the Court Appointed Special Advocate Program so that children who have been victims of abuse or neglect have an advocate to share their voice in court proceedings
• A combined $2.4M is proposed for evidence-based and evidence-informed home visiting that will support at-risk families
• Invests $1M in the Pennsylvania Agricultural Surplus System which addresses food insecurity and ensures more Pennsylvanians have access to healthy meals for their families

Environmental Protection, Restoration and Job Creation

• Invests $2.5M in the Department of Environmental Protection to support several core initiatives, including implementation of the Phase 3 Chesapeake Bay Watershed Implementation Plan and support for the Bureau of Air Quality
• Proposes $2.5M for the Department of Conservation and Natural Resources to hire additional state park and forest rangers
• Calls for legislative action on a $1 per ton increase to the tipping fee on municipal waste landfill deposits to generate an additional $22.6M and maintain solvency of the Hazardous Siltites Cleanup Fund

Pennsylvania on a Path to Prosperity

For five years, Governor Wolf has prioritized improving and ensuring quality of life for all Pennsylvanians, beginning at birth and extending through retirement and beyond. This work has put the commonwealth on a comeback and set the stage for long-term prosperity.

Over a billion dollars in cuts to the public education system have been restored and historic investments have been made in early childhood, pre-k, and special education. The commonwealth partnered with higher education systems across the commonwealth to identify and address skill gaps, build career ladders, and prepare students for a modern economy.

The first Clean Slate law in the country has been enacted, giving people who paid their debt to society the ability to put their criminal histories behind them, which in turn promoted job growth and boosted local economies across the state.

Federal investments have been maximized to address the opioid epidemic and provide a continuum of care and services to hundreds of thousands of Pennsylvanians suffering from substance use disorder. As a result, in 2018, for the first time, Pennsylvania saw a reduction in the number of opioid-related overdose deaths.

Pennsylvania modernized its election process, passed the nation’s first state-based GI Bill to extend tuition repayment benefits to family members of our National Guard members, and passed a PA Farm Bill that sets Pennsylvania’s agricultural industry apart from any other state. To support children at every point along their educational journey, Pennsylvania is now in line with 48 other states as the compulsory age of school attendance was lowered from 8 to 6, while simultaneously raising the drop out age from 17 to 18.

While a lot of progress has been made, there is still much work left unfinished and too many people in the commonwealth are struggling. The future of the commonwealth depends on the ability to be thoughtful, efficient, and nimble in investments, with a focus on helping those most in need.

Pennsylvanians want and need greater investments in the physical infrastructure of the state, from roads to mass transit to schools, to ensure protection and sustainability for future generations. Pennsylvanians must challenge themselves to protect communities from environmental contamination, crime and gun violence, stop the cycle of poverty, and end discrimination. A commitment must be made to ensure that every Pennsylvanian in every community across the state feels safe and secure and can lead a life of prosperity.

Governor Wolf made historic investments in public education over the past five years, increasing annual funding by more than $1.4 billion. This budget continues the governor’s commitment to providing a quality public education by putting more dollars through the fair funding formula, helping to prepare students with the education and skills for a lifetime of success, and to meet the future economic and workforce needs of the state.

Building on his budget from last year, Governor Wolf is continuing his push to make Pennsylvania the greatest place to live and work in the nation.

As required by the governor’s executive order, the Keystone Economic Development and Workforce Command Center worked to identify the top barriers to employment for employees and employers over the past year. The Command Center traveled to hear from employers in local communities about their challenges and successes in seeking a qualified, trained workforce. Similarly, they met with workers and Pennsylvanians seeking employment about barriers and pathways to employment. They invited experts from around the state to testify on trends and provide recommendations on improvements the state, legislature, and private sector can make.

This budget takes the recommendations from the Command Center and turns them into action. Five barriers to employment were identified: transportation, child care, training, licensure, and re-entry from institutional settings. Each of these barriers is tied to an initiative in this budget, through job training, innovation and technology, education, or services for vulnerable populations.

Despite significant investments in our workforce development system, challenges remain in ensuring Pennsylvania has a thriving business climate, a competitive workforce, and skilled-ready job seekers.

Investments in the early childhood system, and the workforce that sustains it, have been historic under Governor Wolf. The 2020-21 budget builds on this effort and prioritizes federal funding to increase Child Care Works provider rates across the commonwealth to ensure access to essential child care services for low-income Pennsylvanians.

Governor Wolf’s proposed budget in brief.
In addition, this budget will increase transparency in funding among traditional public and charter schools. By ensuring that all schools receive reimbursements using consistent standards, families across the state will be more informed to make choices about where they send their children to school.

Once again, Governor Wolf proposes lifting the minimum teacher salary in Pennsylvania to $45,000, up from the inadequate and antiquated $18,500 statutory floor in place since the 1980s. This investment in Pennsylvania’s teaching workforce will promote more competitiveness in a field crucial to ensuring children are set up for success with job-ready skills needed to create the strongest workforce in the nation.

Governor Wolf will continue to push the legislature to increase the minimum wage and to end employment discrimination for LGBTQ individuals. These policy changes would result in a more accessible, fair, and accountable workforce for millions of Pennsylvanians. They will propel hundreds of thousands of Pennsylvanians on a path toward self-sufficiency and reduce the need for government services that provide a lifeline to some of our most vulnerable citizens.

While all of the investments outlined are necessary to ensure Pennsylvania and its citizens are on a path to prosperity, the growing number of Pennsylvanians who do not feel safe and secure in their communities, at work, in school, in church or synagogue, or just walking down the street cannot be ignored.

Bolstering the work of the Special Council on Gun Violence and the Suicide Prevention Task Force, this budget makes significant investments to combat the issue of gun violence. Gun violence, whether mass shootings or recurring community violence, suicides or domestic abuse, is something that touches every community in the state. Coupled with recent executive actions, the 2020-21 budget includes new and increased investments in community policing and school security, including mental health professionals in schools to assist with trauma. These investments will assist Pennsylvanians with feeling safer and more secure in their everyday lives.

These initiatives set Pennsylvania apart as a commonwealth that is prosperous, competitive, safer, and on a sustainable path forward.

Prioritizing Education and Investing in Our Kids

Governor Wolf has prioritized strengthening Pennsylvania’s educational opportunities because education can positively influence nearly every other part of society. From creating a strong workforce to reducing crime, Governor Wolf’s investments in education at all ages have helped propel Pennsylvania to a more prosperous future.

During the past five years, Governor Wolf has secured an additional $1.4 billion in funding for pre-k through college, including nearly $800 million for basic education, $140 million for special education, and $40 million for career and technical education. His innovative PA Smart program has brought new STEM and computer science programs into hundreds of schools across Pennsylvania, helping advance Pennsylvania to fifth in the nation for the number of STEM graduates.

Governor Wolf has sought to bridge the gap between the classroom and employment by supporting career and technical education and building a new apprenticeship program. Under Governor Wolf, the number of career and technical education students earning industry-recognized credentials has increased by 34.2 percent, while the number of registered apprentices has risen to over 17,000.

The governor’s proposal for the 2020-21 budget builds on his successful education and workforce development programs, further extending high-quality education to more Pennsylvanians.

Universal, Free, Full-Day Kindergarten for All Students

Children in high-quality full-day kindergarten programs, including low-income and disadvantaged students, often have better long-term educational outcomes, develop positive social behaviors, and have access to nutritional breakfast and lunch. Currently 121,000 Pennsylvania children are enrolled in kindergarten and 99,000, or 82 percent, are enrolled in full-day programs.

The 2020-21 budget proposes the expansion of universal, free, full-day kindergarten for all Pennsylvania students enrolled in traditional public or neighborhood charter elementary schools, including the 22,900 who are currently enrolled in half-day programs, but would benefit from full-day. This initiative will support working parents by reducing child care expenses and will better support the continuum of education services by prioritizing the expansion of high-quality child development services. Districts that can demonstrate capacity challenges that inhibit their ability to expand to full-day kindergarten will have the ability to apply to the Department of Education for a hardship waiver along with a plan for building out future capacity.

Increasing Funding for High-Quality Early Childhood Education

Children who participate in high-quality pre-k programs perform better in school, are more likely to graduate, and earn more throughout their lives compared to peers without access to early learning programs. The 2020-21 budget proposes $25 million for Pre-K Counts and $5 million for the Head Start Supplemental Program. This new funding will allow approximately 3,270 additional children to enroll in the state’s high-quality early learning programs. Over Governor Wolf’s term, the commonwealth has doubled its investment in early child education, but more children need this once-in-a-lifetime opportunity to enter kindergarten ready to grow and thrive.

Ensuring Equal Access to Child Care

Child care access and affordability are preventing employees and jobseekers from going to work and attending job interviews. As the cost of child care continues to rise, it is essential that payment rates for subsidized child care keep pace with rates for private-pay families to ensure equal access to child care for all Pennsylvanians. The 2020-21 budget includes a $15.3 million increase in federal funds to Child Care Works base rates to create a more stable business environment for child care facilities and ensure equal access to child care services.

Increasing Access to Early Intervention Services

Early Intervention (EI) ensures that children birth to age five with developmental delays or other established factors that put them at risk of substantial delay have the best chance for healthy development. EI provides children with a range of developmental and social-emotional services, including speech and language, occupational and physical therapies, and social work services. Families also receive the coaching and support they need to further the gains their children make in therapy. EI serves children from all income levels and in every county across the state. While the number of children 0 to 3 served through EI has increased by more than 30 percent over the last five years, administrative funds have been held level. The 2020-21 budget includes a $2.5 million investment to increase county administrative allocations. The budget also includes $11 million dollars for 2,000 additional slots for children age 3 to 5.
Making College More Affordable and Investing in the Arts

The Nellie Bly Tuition Program for PA State System of Higher Education (PASSHE) Students
To support Pennsylvania’s workforce and economic needs, the state must strengthen its commitment to increasing the number of Pennsylvania students who complete a high-quality postsecondary degree or credential. The State Board of Education established a goal for 60 percent of working-age Pennsylvanians to have a postsecondary degree or credential by 2025, with a focus on closing attainment gaps for historically unrepresented populations. The Commonwealth must also find ways to incentivize people to learn, work, and stay in Pennsylvania, and make higher education more affordable to students and families.

The 2020-21 budget proposes repurposing $204 million from the Pennsylvania Race Horse Development Trust Fund to support the Nellie Bly Tuition Program, which will provide financial assistance to targeted full-time students in the PASSHE system if the student agrees to stay in Pennsylvania for the same number of years for which they receive the benefit. This needs-based tuition will fill the gap between the students’ financial aid and other financial assistance to cover the tuition and the real costs of college, including room and board, books, supplies, and graduation expenses. The tuition converts to a loan if the student moves out of state during the commitment period and can be deferred while the student pursues further education.

The program will align with the PASSHE Board of Governors accountability framework for PASSHE universities. This proposal will help reach the state’s credential attainment goal, make higher education more affordable, support on-time graduation and student retention, promote social mobility for low-income students, and get students into the workforce with less student loan debt.

INVESTING IN THE ARTS
Pennsylvania is home to a diverse and vibrant culture of the arts, yet access is not equal for everyone. This budget includes $1.5 million to the Pennsylvania Council on the Arts to support two initiatives that will strengthen the cultural, educational and economic vitality of Pennsylvania’s communities through the arts.

The budget provides $500,000 to expand the Creative Communities Initiative, a competitive grant program that provides funding for four-year, community-driven, arts-based projects that promote economic development and community connectedness. This funding will allow for six additional creative communities projects and will maintain the four current projects.

The remaining $1 million will increase support to rural and African American, Latino, Asian, Native American, and Hispanic communities that historically lack equitable access to the arts. The grants will expand arts programming to better reflect Pennsylvania’s diversity by supporting existing arts projects and new arts providers and promoting cross-sector projects with non-arts organizations.

Promoting Fairness, Equity, and Quality in our Public Education System

Attracting and Retaining the Best Teachers for Our Children
Providing competitive wages is essential to attracting and retaining qualified education professionals. Pennsylvania arbitrarily sets minimum compensation for Pennsylvania teachers and other education professionals, including counselors and school nurses, at a 1980s-level of $18,500 per year, or $8.90 per hour. This salary assumes a 40-hour workweek, even though most educators spend many hours out of the classroom preparing lesson plans and reviewing student assignments. The current statutory minimum salary fails teachers, students, and families. The 2020-21 budget proposes to increase the minimum salary to $45,000 per year to better align with competitive salaries and the cost of living, and to ensure Pennsylvania can attract the highest quality talent to educate our children.

Comprehensive Charter School Law Reform
Pennsylvania’s Charter School Law, passed in 1997, established public charter schools with greater flexibility to support innovation in partnership with the public education system. Since then, some charters have strayed from this original purpose by engaging in questionable operational practices and exhibiting poor academic performance. Additionally, charters are a major uncontrolled cost-driver for local school districts, resulting in higher property taxes across the state.

The 2020-21 budget proposes comprehensive Charter School Law reform that will save school districts across the commonwealth an estimated $280 million per year. These resources can be reinvested into students and educators, including funding universal, free, full-day kindergarten and meeting minimum teacher salary requirements. This package of policy and budget initiatives promotes innovation and choice in the charter sector while ensuring charter schools are providing a high-quality education, accountable for their academic performance and financial management, and meeting the same standards Pennsylvanians expect from traditional public schools. The budget includes:

- Applying the Special Education Formula to All Charter Schools: Currently, school districts receive funding for special education students through a four-tiered Special Education Funding formula, with funding increasing as the student’s need for special education services increases. Special education tuition payments to charters, however, are calculated based on the outdated assumption that all school districts have a special education population of 16 percent, regardless of the level of services a student’s Individualized Education Plan outlines. The governor’s budget applies the four-tiered Special Education Funding formula to all charters to better align Special Education Funding with actual costs of providing services to special education students. This was a recommendation from

the bipartisan Special Education Funding Commission and will save school districts an estimated $147 million annually.

- Establishing a Statewide Charter Tuition Rate: Currently, charter schools in Pennsylvania charge school districts between $7,700 and $21,400 per student per year. For comparison, the typical tuition rates an Intermediate Unit charges to provide a comparable online education is around $5,400 per student per year. The governor’s budget establishes a statewide charter tuition rate of $9,500 per student per year and will better align tuition with the actual costs of providing an online education. This reform will save school districts an estimated $133 million annually.

- Improving the Redirection Process: Currently, if a school district does not pay the tuition for the students in its district who attend a charter school or there is a dispute between a school district and a charter on tuition payments, the charter school may petition the Department of Education to reconcile the dispute through the redirection process. This budget proposal provides clarification on the redirection process, including the basis for reported expenditures and the deductions included in the tuition rate calculation, to increase fairness, accountability, and transparency.

Continuing Investments in Education to Build the Best Workforce in the Nation
Over the past five years, the governor worked with the General Assembly to reverse historic cuts to education and invest $1.4 billion in new resources for Pennsylvania’s public education system. The 2020-21 budget invests $179 million in education funding to build on this progress and ensure every Pennsylvania student is college, career, and community ready.

The new investments for classroom funding include:

- $100 million increase in Basic Education Fair Funding Formula. This investment ensures school districts to have the basic resources they need to provide a high-quality education for Pennsylvania students.

- $25 million increase in Special Education Funding Formula. This investment ensures school districts have the basic resources they need to provide high-quality special education services to students with disabilities and special needs.

- $25 million increase in funding for Intermediate Units. Currently, cyber charter schools in Pennsylvania are charged a flat tuition rate of $9,500 per student per year and will better align with competitive salaries and the cost of living, and to ensure Pennsylvania can attract the highest quality talent to educate our children.

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- $25 million increase in funding for Intermediate Units. Currently, cyber charter schools in Pennsylvania are charged a flat tuition rate of $9,50 2020-21 Budget In Brief
Governor Wolf understands that businesses and workers need each other to thrive, so he has remained steadfast in his commitment to make Pennsylvania the best place to live, work, and do business. He has fought to improve Pennsylvania’s business climate by proposing to lower our Corporate Net Income Tax and institute combined reporting, making the commonwealth more competitive with surrounding states. In the 2020-21 budget, Governor Wolf is once again proposing combined reporting and to reduce the Corporate Net Income Tax from 9.99 to 8.99 percent on January 1, 2021, then continue to reduce the tax incrementally to 5.99 percent by 2025.

Last year, the governor signed an executive order establishing the Keystone Economic Development and Workforce Command Center, which researched barriers preventing job-seeking Pennsylvanians from connecting to workplaces needing employees. Governor Wolf’s 2020-21 budget seeks to implement programs that will help workers overcome these barriers while improving the quality of life for all Pennsylvanians.

Addressing Barriers to Employment

The public-private Keystone Economic Development and Workforce Command Center identified five key barriers for employees and employers: transportation, child care, training, licensure, and re-entry from institutional settings. This budget provides $12 million to establish a new competitive grant program through the Department of Community and Economic Development (DCED) to address the barriers using recommendations from the Command Center. Best practices that are scalable and can be replicated regionally or statewide will be prioritized for funding. Eligible applicants will include, but not be limited to, businesses, education and workforce partners, community-based and non-profit organizations, institutions of higher education, child care providers, and transit organizations.

Employees or jobseekers with children cannot go to work without having a plan for child care. As the number of jobs that require non-traditional work schedules — evenings, weekends, and overnight — increases, demand for child care during non-traditional hours has grown. The lack of accessible, affordable non-traditional child care is a barrier for both employees and employers. When combined with workplace policies that are not family-friendly, the lack of non-traditional child care creates a significant barrier to maintaining employment for many families — both those eligible for subsidies and otherwise. Likewise, the lack of non-traditional child care contributes to employers’ difficulty in recruiting and retaining staff. Through DCED’s new competitive grant program, child care providers and other partnerships will be encouraged to apply for grant funding to support building non-traditional child care into their business models and incentivize child care workers to provide services during these critical evening, weekend, and overnight hours.

The Department of Human Services will redesign its employment and training programs to better meet the needs of clients and their families as they move toward career pathways and family-sustaining wages, reducing their need for Temporary Assistance for Needy Families (TANF) benefits. This will include providing individualized services based on client needs, an increased emphasis on case management, and services that focus on barrier remediation to address circumstances that may negatively impact long-term employment. An additional $14.8 million in federal dollars will be used to allow contractors to redesign their program and provide incentive payments for high quality outcomes.

Increasing the Minimum Wage to $15

In 2020, 21 states will increase their minimum wage. Pennsylvania’s minimum wage of $7.25 ($15,080 per year), has not increased in more than 10 years and is keeping Pennsylvania families living in poverty. While the cost of living for families in Pennsylvania is increasing, the minimum wage has remained stagnant, limiting the purchasing power of low wage workers trying to afford necessities.

The 2020-21 budget proposes increasing the state minimum wage to $12 per hour effective July 1, 2020, with annual increases of $0.50 until the minimum wage reaches $15 per hour on July 1, 2026. By increasing the minimum wage, low-income workers will have the ability to better afford basic needs — housing, groceries, transportation, and child care — and will take a step out of poverty and toward self-sufficiency. Raising the minimum wage will also improve productivity and morale for millions of workers, reduce reliance on public benefits, and invest in people providing critical workforce needs, including early childhood educators and direct care workers caring for the most vulnerable Pennsylvanians.

Addressing the Benefits Cliff

Family Size Allowances for a cash grant within the TANF program have remained unchanged since they were set in 1990. Because the value of the grant has eroded over time due to inflation, it no longer takes many hours worked, even at minimum wage, to lose TANF eligibility. Allowing a TANF recipient to stay on TANF longer as they earn more income makes them more likely to attain self-sufficiency. The 2020-21 budget will include $23.4 million in federal funding for a work expense deduction to address the benefits cliff and create a pathway for Pennsylvania’s families to work towards self-sufficiency.

The 2020-21 budget will support a restructuring of the co-payment contribution calculation required of families participating in the Child Care Works (CCW) program to streamline an antiquated annual process. The copayment restructuring plan ensures that the financial contribution or co-payment paid by families enrolled in CCW gradually and equitably increases as income increases. Families gradually assume a greater portion of the child care payment prior to exiting the program at 235 percent of the Federal Poverty Guideline.

Investing in New Manufacturing and Attracting New and Innovative Businesses to Pennsylvania

Historically, Pennsylvania has been a leader in innovation. Today’s economy is rapidly changing and investment in innovation and technology are required to support economic development. The Ben Franklin Technology Partners, Partnerships for Regional Economic Performance (PREP), Small Business Development Centers, Local Development Districts, and Industrial Resource Centers are a few of the partners funded through state assistance that work towards the goal of fostering technology and innovation.

A strong community and entrepreneurial network are crucial for success. This holds true for start-ups, as well as established businesses. Creating a holistic funding strategy fosters creation of new innovative companies and sees them through every stage. Attracting new talented workers and retaining the students our world renown universities develop ensures new innovative ideas and companies start, and stay, in Pennsylvania. Creating livable communities ensures those workers and entrepreneurs start their business in an area they are proud to call home.

This budget builds on three fundamental building blocks: education, workforce development, and economic development — and cements Governor Wolf’s dedication to creating the friendliest entrepreneurial environment in the country. This is achieved by focusing on creating safe and vibrant communities, to attract and retain talent who in turn create businesses or aid innovative companies to grow and expand.

Manufacturing is critical to the health and prosperity of Pennsylvania’s economy. Likewise, Industrial Resource Centers (IRCs) are critical to the small- and medium-sized manufacturers that make up more than 92 percent of the commonwealth’s manufacturing base. The IRC network represents seven private, nonprofit IRCs located across the commonwealth that help manufacturers respond to
Making Pennsylvania a Better Place for Workers and Businesses (continued)

Building on the governor’s commitment to strengthen accountability, additional audits and reporting requirements will be applied to grantees, not just businesses, using state funding.

Investing in Pennsylvania’s Business Community Through Job Training

An additional $2 million for the Workforce and Economic Development Network of Pennsylvania (WEDnetPA), Pennsylvania’s premier incumbent workforce training program, will provide additional support to help companies assess their training needs and develop training plans. Companies will continue to receive assistance in obtaining a level of training – both essential skills and technical skills - among employees that they otherwise could not have reached. WEDnetPA has helped more than 20,000 companies train more than 1.2 million Pennsylvania workers since its inception in 1999.

Ensuring Adequate Community Support After Commonwealth Facility Closures

$5 million for a State Facility Closure Transition Fund will be established within DCED to provide grants and loans to local municipalities affected by the permanent closure of a state-operated or state-owned facility. Grants and loans may be used for economic development opportunities or the payment of expenses incurred by the local municipality related to the facility closure.

Investing in our Public Health Workforce

The Primary Health Care Practitioner Program encourages primary care practitioners to practice in Health Professional Shortage Areas throughout Pennsylvania, helping to ensure health care access in underserved communities. An additional $450,000 for the Primary Health Care Practitioner Program will facilitate expanded access to quality, affordable primary health care in areas of need by increasing the volume of health care providers as well as helping to provide them with adequate resources to treat vulnerable populations. This additional investment will help to reduce the clinician shortage in Pennsylvania through a more robust support network that will entice more health care professionals to work in the commonwealth.

Keeping Pennsylvanians Safe

On August 16, 2019, Governor Wolf signed a sweeping executive order on gun violence. The order tasked state agencies with the authority to work together to identify and implement evidence-based initiatives to help address the public health and public safety crisis of gun violence in Pennsylvania.

The order created new entities within state government to help marshal these efforts, including a new Office of Gun Violence Prevention at the Pennsylvania Commission on Crime and Delinquency (PCCD) and a Division of Violence Prevention within the Department of Health. It also established a new 18-member Special Council on Gun Violence within PCCD that includes members representing public health, public safety, law enforcement, victim services, education, human services, criminal and juvenile justice, research, and members of the General Assembly.

Governor Wolf’s 2020-21 budget builds on this executive order to create programs to reduce gun violence while building our police force to help combat all types of crime.

Reducing Gun Violence

Within this budget the governor is committing $6 million in additional funds to comprehensive gun violence prevention and reduction grants within PCCD. These funds will be directed towards community programs that focus on implementing evidence-based strategies or promising practices recommended by the Special Council on Gun Violence related to preventing suicide by firearms, reducing community gun violence, preventing domestic violence-related shootings, reducing the likelihood of accidental shootings, and combating mass shootings. Funded projects will use public health and public safety approaches and will include multiple cross-sector partners.

Philadelphia Gun Violence Task Force

Created in 2006, the Gun Violence Task Force (GVTF) is a unique collaboration between Office of the Attorney General (OAG), the Philadelphia Police Department, the Philadelphia District Attorney’s Office, State Police, the Federal Bureau of Investigation, and the Bureau of Alcohol, Tobacco, Firearms and Explosives that investigates the origins of crime guns and traces them back to prevent future crimes. GVTF is the largest group of law enforcement personnel that are dedicated to straw purchase and origin-of-crime-gun investigations in Pennsylvania.

This collaboration has grown stronger over time. From its first year of operation in 2007 through the end of 2019, GVTF has conducted 5,564 investigations, resulting in 1,770 arrests and 2,789 firearms taken off the streets. Last year alone, GVTF conducted 1,641 investigations, made 216 arrests, and recovered 233 firearms.

To improve the intelligence available for GVTF’s investigations through a data-driven approach, OAG launched its Track + Trace initiative in 2019. Track + Trace focuses on increasing law enforcement access to data, encouraging gun retailers to use the State Police’s electronic record of sale, educating consumers on the dangers of straw purchasing, and improving safe storage practices and reporting of lost and stolen firearms. The 2020-21 budget includes an additional $4 million for the GVTF to continue and enhance this work.

Providing Fair Funding for Police Coverage

Across the commonwealth, 67 percent of municipalities rely on the Pennsylvania State Police (PSP) to provide local police support. This coverage comes at no cost to the municipality, but instead is borne by all taxpayers statewide. However, PSP also provides services that benefit all citizens of the commonwealth. For that reason, the proposed fee structure for 2020-21 has changed.

It is essential to find a solution that closes the funding gap caused by the decreasing reliance on Motor License Fund support. The PSP has developed a model that is fair, reasonable, and a good starting point for ongoing discussions.

To address the inequity, the 2020-21 budget assesses a fairer service fee to all benefiting from policing provided by PSP. Rather than a flat fee or a sliding fee based on population, this proposal would be assessed on every municipality in the commonwealth, because services are provided to all, regardless of the level of municipal police coverage. This fee is predicated on station coverage costs, which are driven by incidents and coverage area, and consider various factors, including population and income. It is further weighted for municipalities benefiting from full- or part-time police services.

The fee proposal allows four additional cadet classes to begin in 2020-21 to maintain the complement at full strength despite expected retirements and turnover. By the end of 2020-21, the requested graduates will increase the filled trooper complement level to the highest point in the history of the department.

The Ben Franklin Technology Partners have cultivated Pennsylvania’s innovation economy for the last few decades. They have provided unrivaled startup funding and technical assistance to companies throughout the commonwealth. Sending the message that Pennsylvania is the best state for business will take additional resources on the table.

An additional $2.5 million increase to new and existing companies in areas such as talent pipeline, robotics utilization, 3-D printing, and advanced manufacturing technology, and business incubation.

The PREP Network, Small Business Development Centers, Local Development Districts, and Industrial Development Organizations will receive a $2.5 million increase, to be awarded competitively among the partners, requiring regions to be creative and innovative in their applications for service and to partner with institutions of higher education. This will drive greater impacts to accelerator participation, entrepreneurial internships, decreased student outmigration, and business incubation.

Invent Penn State was launched in 2015, blending entrepreneurship-focused academic programs with business startup training and incubation. The program funds university, community, and industry collaborations, training, and commercialization to turn research into products and services that benefit Pennsylvanians. This coordinated effort spans the university’s 24 campuses, all academic colleges, including the College of Medicine and Penn State Law.

Entrepreneurs enjoy access to academic programs, working space, mentorship, prototyping, and funding. This successful program will receive an additional $2.35 million.
In July, Governor Wolf signed an executive order calling for a thorough review of Pennsylvania’s programs serving vulnerable populations. The executive order established the Council on Reform, which delivered a list of recommendations to the governor on November 1, 2019. Several of the Council on Reform’s recommendations have already been acted upon, and other initiatives are in-progress. Governor Wolf’s 2020-21 budget further supports the Council on Reform’s recommendations, helping to ensure all Pennsylvanians are treated with the care and dignity they deserve.

Supporting Adults with Disabilities in Long-Term Care Facilities

By adjusting the eligibility criteria for the Ventilator Dependent Resident Grant Program from requiring at least 8 hours per day of ventilator support to any pressure support ventilation and increasing the list of supplies that are reimbursable, relief will be provided to nursing facilities and access to these critical services will be maintained. This includes an investment of $1.4 million into the program.

Legal Services for Vulnerable Populations

Additional funding of $1 million will be provided to expand the legal services program that provides legal assistance to low-income individuals and families who are unable to afford necessary legal services from the private sector. Such services include emergency protective services for victims of abuse without consideration of income and consultation, advice, assessment, negotiation, and representation for clients under 125 percent of the federal poverty level.

Direct Care Worker Comprehensive Training

A new investment of $1.2 million will establish a direct care worker training program to support the workers and those receiving long-term services and supports as recommended by the Governor’s Council on Reform. According to the National Association for States United for Aging and Disabilities, the growing use of home and community-based services in lieu of institutional services, as well as the growth of the aging population, has increased demand for direct care workers. To support the growing population of individuals becoming eligible for long-term care services, however, the number of direct care workers performing this work needs to increase. One strategy to address the direct care worker crisis is through a standardized core training and credentialing system for direct care workers in the Participant Directed Model, which will provide career pathways throughout the continuum of long-term services and supports.

Commitment to Performance-Based Metrics, Accountability and Transparency in Services and Licensing

Additional administrative funding of $4 million will be made available to counties to support individuals with intellectual disabilities and/or autism living in the community by better equipping counties with resources needed to ensure better risk management and independent incident investigations to better serve this vulnerable population.

Additional staff funded by a $5.1 million budget increase will be provided to several program areas within the Department of Human Services (DHS) to support increased workloads and complete timely inspections of facilities to ensure full compliance with regulations, investigate complaints, and monitor the implementation of corrective action measures, as directed by the Vulnerable Populations Executive Order and as recommended by the Council on Reform.

Supporting Vulnerable Populations through Home and Community-Based Services and Reducing Waiting Lists

With the announcement of the closures of Polk and White Haven State Centers, DHS is working to transition individuals to community homes. In order to meet the unique needs of residents with the highest acuity, start-up funding is proposed in the budget for property acquisition and/or modification necessary for many residents to transition to the community.

Continuing on the commitment to serve individuals in the community, $1.25 million is proposed for 20 Community Hospital Integration Projects Program (CHIP) discharges to reduce the state hospital populations. The program is targeted for individuals ready for discharge but for whom community resources or programs are not available to support a successful transition to the community. Through the CHIP, the mental health programs have been able to enhance their systems and develop additional community-based services which are intended to divert individuals from going back to a state hospital.

Pennsylvania continues to see an increase of individuals eligible for long-term services and supports and increased need for protective services for older adults. To address the growing need, the 2020-21 budget will provide services to 1,700 people on the OPTIONS in-home services waiting list with $8.1 million in new funding.

The 2020-21 budget proposes to move 732 individuals with an intellectual disability and/or autism from the emergency waitlist into the Community Living Waiver and 100 individuals into the Consolidated Waiver. The $15 million investment will provide community services to people with anticipated emergencies, and people transferring from private intermediate care facilities or state hospitals. As recommended by Governor Wolf’s Council on Reform, this initiative will include moving up to 40 children with complex medical needs into the Community Living and Consolidated Waivers to support their transition from congregate care settings ensuring they have an opportunity to live and grow up with their families in their own home.

Resources for Organizations Best Positioned to Steward Change in the Community

An investment of $1.3 million in the Court Appointed Special Advocate (CASA) Program will support court-appointed volunteer advocacy in communities so that children who have been victims of abuse or neglect can be safe, establish permanency, and have the opportunity to thrive. Local CASA programs recruit, screen, train, and supervise CASA volunteers appointed through dependency court for children facing abuse and neglect.

Prevention Services to Support At-Risk Families

$1 million in additional state dollars will be used to fill decreased federal dollars to maintain the existing evidence-based home visiting programs that enable Pennsylvania families to receive essential services to promote parental and child bonding and monitoring of developmental milestones.

DHS will also expand a newly established home visiting initiative through the Medicaid managed care organizations that will provide in-home visits for new parents with an additional $1.4 million in state funds. Evidence-based and evidence-informed home visiting family support programs have a family-centered focus and strength-based approach that works with both the child and parent. Studies of various home visiting programs have shown positive impacts for the mother and baby during pregnancy and after birth, such as a decrease in domestic violence and smoking during pregnancy, a significant decrease in pre-term births, and a majority of babies being born at a healthy weight.

Improving Food Security while Supporting Agriculture

An additional investment of $1 million in the Pennsylvania Agricultural Surplus System (PASS) will further address food insecurity in Pennsylvania and ensure more Pennsylvanians have access to healthy meals for their families. Through PASS, the Department of Agriculture provides funding to cover the costs associated with harvesting, processing, packaging, and transporting surplus products including fruits, vegetables, eggs, dairy, meat, and grains in order to donate those items to the charitable food system. Current funding has allowed healthy and nutritious surplus food to be brought into the charitable food system to nourish 1.6 million Pennsylvanians who struggle to put food on the table.
Governor Wolf wants generations of future Pennsylvanians to be able to enjoy our beautiful lands and waterways. He has sought to implement smarter energy and conservation policies that balance energy and business needs with environmental protection. The guidelines set by his Methane Reduction Strategy and statewide carbon reduction goal make progress toward reducing some of the biggest air pollutants in Pennsylvania. In late 2019, the governor announced Pennsylvania would join the Regional Greenhouse Gas Initiative, a regional cap-and-trade program that will limit carbon dioxide emissions.

Governor Wolf’s 2020-21 budget includes bold action toward further reducing pollutants in Pennsylvania’s air, water, and land.

**Bolstering Staffing for Environmental Protection**
Staff at the Department of Environmental Protection (DEP) are critical to fulfilling the agency’s mission to “protect Pennsylvania’s air, land, and water from pollution, and to provide for the health and safety of our citizens.” This budget invests $2.5 million in several core initiatives at DEP.

To effectively and successfully implement Pennsylvania’s Phase 3 Chesapeake Bay Watershed Implementation Plan (Phase 3 WIP) requires expansion of several key roles and responsibilities at DEP, including coordinating continued development of the Phase 3 WIP, deploying financial and technical supports for the continued development and implementation of Countywide Action Plans, ensuring successful tracking of progress toward pollutant reduction goals, and verifying that best management practices installed on the ground are operating properly. This budget provides an additional $1 million for hiring additional staff and related supports.

DEP’s Bureau of Air Quality is responsible for safeguarding the health of Pennsylvanians by achieving the goals of the federal Clean Air Act and the Pennsylvania Air Pollution Control Act. The bureau develops air quality regulations, conducts meteorological tracking and air quality modeling studies and reviews; develops transportation control measures and other mobile source programs. This budget provides $1.5 million to hire additional staff.

**Stabilizing the Hazardous Sites Cleanup Fund**
The Hazardous Sites Cleanup Fund (HSCF) provides the financial means for the cleanup and restoration of abandoned hazardous waste sites in the Commonwealth. During 2017-18, DEP approved 367 successful cleanups within the 22-year history of the Land Recycling Program, DEP has approved over 6,687 actions. However, while site investigations ramp up and the number of sites in need of remediation increase, HSCF is projected to be financially insolvent by the close of 2020 unless a new funding source is established. A steady and adequate funding source is needed to ensure that projects can obtain HSCF funding. This budget calls for legislative action on a $1 per ton increase to the tipping fee on municipal waste landfill deposits to generate an additional $22.6 million and maintain fund solvency.

Pennsylvania’s state parks and forests welcome more than 40 million visitors each year, contributing more than $1 billion to our state’s economy and supporting our dynamic outdoor recreation industry. Visitors have high expectations when recreating in Pennsylvania’s parks and forests, and public safety is a priority. Park and forest rangers are on the front lines when it comes to addressing the health and safety of the public and must respond quickly to an array of issues. The very nature of the Department of Conservation and Natural Resource’s lands, set in mostly secluded wilderness, creates challenges and requires an active staff to monitor and assist visitors. As record numbers of people visit our parks and forests, additional rangers are needed to ensure adequate and year-round staffing. This budget provides an additional $2.5 million for state park and forest rangers.

**Investing in Our Environmental Protection and Restoration**

**Calling for Action on Pipeline Safety**
Several gaps in existing law have tie the hands of the executive and independent agencies charged with protecting public health, safety, and the environment. Governor Wolf continues to call for the following issues to be addressed legislatively:

- No state agency currently has authority to review intrastate pipeline routes, which can result in pipeline companies deciding to site through densely populated high-consequence areas. Many states have passed legislation providing an enhanced role in siting decisions to their utility or public service commission. Legislation should provide the Public Utility Commission (PUC) with authority to regulate siting and routing of intrastate pipelines in Pennsylvania.

- Currently, pipeline operators are not required to provide information to schools or child care centers located near a pipeline, including how to respond to a leak. Legislation should require this information for schools and child care centers within 1,000 feet of a pipeline.

- Further, pipeline companies should be required to provide notification to residents, municipalities and other applicable parties affected by drilling at least five days in advance of the initiation of any project.

- Related legislation should require public utility facilities transporting natural gas or natural gas liquids to meet with the county emergency coordinator entrusted to respond in the event of natural gas release and provide vital emergency response and evacuation information.

- County emergency officials must have the information they need to make sure first responders can react appropriately in emergency situations. Currently, pipeline companies have the authority to decide what is or is not confidential security information. Legislation is needed to mandate pipeline operators to provide current Emergency Response Plans to the PUC. This could be confidentially shared with county emergency service agencies for the purpose of coordinating a response to a pipeline incident.

- In order to respond to a potential leak, automatic or remote shut off valves are critical. Legislation should require the installation of such valves in high consequence areas in compliance with federal requirements for transmission line valves.

- DEP has significant regulatory authority for construction activities related to environmental resources under both the Pennsylvania Clean Streams Law and the Dam Safety and Encroachments Act. There remain some gaps that could benefit from legislative action or clarification, such as explicit legislative action establishing pipeline infrastructure setback requirements and authority to consider these setbacks from regulations on environmental features, like wetlands and surface waters, which may also include affirmative preference for co-location of infrastructure in existing or single rights of way.

- Legislation to provide enhanced PUC authority should include the ability to establish pipeline infrastructure setback requirements for public safety purposes, from such features as primary residential buildings, primary education buildings, and hospitals pipeline infrastructure.

At present, Chapter 59 of the PUC’s regulations is titled “Gas Service” with its primary focus on the regulation of natural gas distribution service, safety and facilities. In 2019, the PUC issued an Advanced Notice of Proposed Rulemaking and sought comments from interested persons regarding the amendment and enhancement of Chapter 59 to enable PUC to more comprehensively regulate the design, construction, operations and maintenance of public utilities transporting petroleum products and other hazardous liquids under the jurisdiction of PUC. At present the PUC is extensively considering the safety standards applicable to hazardous liquid public utilities. This proposed rulemaking should enhance pipeline safety in Pennsylvania and move forward expeditiously. Significant improvements to hazardous liquid public utility safety standards can be accomplished regulatorily by building upon the federal pipeline safety laws.
Governor Wolf believes all Pennsylvanians should live in vibrant communities with access to clean water, safe schools, and good jobs. During the last five years, more than 20,000 miles of roadway and nearly 2,000 bridges in Pennsylvania have been repaired and improved with investments totaling approximately $10 billion. The governor recognizes that much more work needs to be done to help communities cope with Pennsylvania’s aging infrastructure, and the proposals in his 2020-21 budget make key investments that will improve the quality of life for all Pennsylvanians.

Fixing Toxic Schools

The Redevelopment Assistance Capital Program (RACP) is a commonwealth grant program for the acquisition and construction of regional economic, cultural, civic, recreational, and historic, improvement projects. RACP projects have a regional or multi-jurisdictional impact and generate substantial increases or maintain current levels of employment, tax revenues, or other measures of economic activity. The governor’s proposed 2020-21 budget includes an expansion of RACP-eligible projects by $1 billion in the Capital Budget Itemization Act to include grant availability for lead and asbestos remediation projects, with the inclusion of schools as eligible grantees.

Reducing Lead Exposure Across the Commonwealth

Pennsylvania is working with the Centers for Medicare & Medicaid Services for a Health Services Initiative (HSI) to improve the health of children and families in Pennsylvania by increasing funding of lead testing and remediation activities in places where children have been exposed to high levels of lead. The Lead Exposure Reduction Program as proposed in the HSI contains three specific components that will help reduce lead exposure and poisoning in Pennsylvania children—all-access testing, lead abatement activities, and education and outreach. Each component addresses a wide variety of issues in reducing lead exposure while also continuing the work of establishing a statewide structure for communities to gather best practices, technical assistance, and capacity. A state share will be required to support this initiative in the 2020-21 budget with a guaranteed federal match, if approved.

Legislation recently passed in Congress allowing a state to transfer up to 5 percent of the cumulative amount of the federal grant dollars awarded for its clean water state revolving fund to its drinking water state revolving fund to address lead. PENNVEST will take advantage of this new flexibility by providing grants for lead service line replacement. In 2020, the commonwealth will work with communities to identify shovel-ready projects that can be funded in 2021. Potential grant recipients will need to do testing, feasibility studies, and other consulting work to prep for projects.

Making Critical Infrastructure Repairs and Improvements

Last year, the governor unveiled Restore Pennsylvania, his ambitious infrastructure improvement plan that would invest $4.5 billion over four years in projects that would increase high-speed internet access, combat blight, assist communities with storm preparedness and disaster recovery, eliminate contaminants, clean up brownfields, build green infrastructure, repair rural roadways and develop new business sites. Projects completed through Restore Pennsylvania will be funded by the monetization of a commonsense severance tax and will help catapult Pennsylvania ahead of every state for the strength of its technology, development, and infrastructure.

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General Fund Expenditures by Agency

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<th>Agency</th>
<th>Amount (in thousands)</th>
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<td>Human Services</td>
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<td>Transportation</td>
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Total: $36.056 Billion

2020-21 Governor’s Executive Budget

General Fund Expenditures by Agency
(amounts in thousands unless noted)

Motor License Fund

**INCOME**
(Dollars in Millions)

- Liquid Fuels Tax: $1,855
- Licenses and Fees: $1,039
- Other: $18

**OUTGO**
(Dollars in Millions)

- Highways & Bridges: $1,403
- State Police: $706
- Local Subsidy: $313
- Licensing & Safety: $234

Other: $231
Debt Service: $54

Total Income: $2,912
Beginning Balance: 51
Ending Balance: 22
Total: $2,963
This growth was led by strong gains in household sector wealth and growth in real income which supported continued consumer spending.

The U.S. economy is projected to see similar GDP growth in calendar year 2020 as recent softness in business fixed investment is expected to be replaced with a modest upturn next year. Equity markets pushed to record highs on continued economic performance, as news that the US and China resolved trade issues and the decision by the Federal Reserve to cut its policy rate in late October. Solid employment gains are projected to lower the unemployment rate to 3.4 percent. Near term recession risks appears to be contained as manufacturing weakness seems to be abating.

The Forecast

The Bipartisan Budget Act of 2019, and favorable financial conditions, should support slightly above-trend growth of GDP through calendar year 2020. Continued strong gains in household net worth and income should support solid consumer spending in calendar year 2020. Recession risks have been reduced as IHS Markit, assigns about a 20 percent probability of a recession in the next 12 months. The Federal Reserve cut the federal funds rate by a quarter point at the October 2019 meeting, and the expectation is that there may be a tightening in December 2020.

Table 1 and Table 2 are U.S. macro forecast projections from IHS Markit. Table 1 outlines the expected outlook for lower unemployment and a minimal decrease in the rate of growth for GDP in calendar year 2020. Table 2 notes that over the next two years there is a 60 percent probability of slowing GDP growth, with an increase in consumer spending and a decrease in business fixed investment. Table 2 also provides narrative for each economic indicator.

Pennsylvania Outlook

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. Since the turbulent diversification of the Pennsylvania economy during the 1970’s and 1980’s Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, growth in real personal income and employment growth. Pennsylvania’s unemployment rate generally trends below the U.S. rate and per capita income levels in the commonwealth exceed national levels. However, during periods of economic expansion, Pennsylvania will often lag behind the rate of growth in the national economy.

The Marcellus shale natural gas deposit is a long-term asset for the state and region, although drilling activity has slowed due to low prices for natural gas. The buildup of infrastructure to transport the gas to market continues, with construction of pipelines, compressing stations and processing facilities continuing to benefit Pennsylvania. Development of natural gas continues to be a factor for Pennsylvania’s economic outlook. Direct employment in natural resources and mining is small relative to the total jobs in the state but other industries, such as construction, transportation, and professional services have benefited from the natural gas industry. Longer-term, Pennsylvania’s competitiveness in manufacturing should be enhanced by the decreased costs of energy and petrochemical feedstocks coming from the state itself.

Portions of the state, especially the Pittsburgh area, have become magnets for high-tech jobs such as software development and robotics. Pittsburgh has continued to build on its reputation as one of the nation’s leading cities for startups and businesses, in part due to presence of its universities and the graduates they produce.

Education and health care sectors remain a vital part of the state economy. The health care sector expects to benefit from increased demand building upon expanded insurance coverage already provided through the Affordable Care Act. Pennsylvania also boasts many top-flight research hospitals that draw patients from outside the state. The state’s education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses with the graduates they produce.

Pennsylvania is expected to add jobs at an annual average rate of 1.3 percent over the next five years. The health care sector remains the most reliable source of new jobs and investments in the state, while the ethane cracker plant in western Pennsylvania will provide an additional demand source. Overall employment growth in Pennsylvania is expected to be 0.7 percent for 2019, then decline slightly over the next several years.

Table 3 shows various historical and projected key economic indicators for Pennsylvania and the U.S. economy.